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U.S. Department of Housing and Urban Development

Action Plan for Debt Collection

June 1981

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I

EXECUTIVE SUMMARY

The Department of Housing and Urban Development accumulates debt due to it in over 40 programs ranging from mortgage insurance premiums on single family homes to block grants for cities. $11.3 billion is currently owed to the Department including direct loans outstanding and Secretary-held mortgages. Another $155 billion worth of loans have been guaranteed or insured by the Department. Of these debts, approximately $480 million are delinquent 90 days or more.

Previous studies of debt owed the Department have identified sums owed by programs and by percentage of debt delinquent within each program. This program-specific approach is essential to develop solutions appropriate for each program and is documented in the component plans for individual HUD activities at the back of this report.

However, this current study and plan exceed those efforts by bringing together general recommendations for department-wide action which are based on an analysis of the debt by its geographic location, by the size of the amounts owed, and by the nature of the debtor: consumer, business, or public/non-profits. This three-pronged perspective will be applied in implementing the recommendations of the Debt Collection Task Force which was appointed by the Secretary March 31st. The three principal goals of the Task Force are:

1. To Reduce the Debt Owed HUD and Prevent Unnecessary New Delinquencies
2. To Analyze and Review Procedures for Collecting and Servicing Debt and Make Recommendations for Action
3. To Support Fully the Initiatives of the President on the Subject of Debt Collection by Meeting Requirements of the Office of Management and Budget

In order to fulfill these goals, this plan presents eleven policy considerations which the Secretary has issued:

I. Aggressive Actions to Recover that Portion of the Current Backlog Deemed Collectable

- o Assign a High and Continuing Priority to Loan Servicing and Debt Collection
- o Contract out Loan Processing
- o Review and Revise Settlement, Write-off and Termination Policies

II. Implementation of Effective Credit Management Procedures to Prevent Unnecessary New Delinquencies

- o Examine Feasibility of Separating the Functions of Debt Origination from Those of Debt Collection
- o Invest Program Offices with Enhanced Accounting Information
- o Fix Employee Accountability
- o Plan for Rapid Implementation of the Debt Collection Act of 1981 if Adopted
- o Allocate Resources to Meet Needs
- o Examine Feasibility of Securing Prompt Collection of HUD/FHA Mortgage Insurance Premiums

III. Action to Recover Newly Occurring Delinquencies and Defaults

- o Differentiate Collection Policies by Magnitude of Debt and for Private vs. Public Debtors
- o Seek Appointment of Special U.S. Attorneys

In accordance with OMB Bulletin No. 81-17, the Secretary has appointed Theodore R. Britton, Jr. as the official with responsibility and authority for debt collection. As the Debt Collection Officer, he will have ongoing responsibility for implementation of these considerations.

II

SCOPE OF HUD'S DEBT: PROBLEMS AND ISSUES

As shown on the table which follows, HUD has $11.3 billion in debt owed to it by both public and private debtors, Of this amount, $480 million is delinquent. Analysis of these delinquencies reveals that the most important fact is that they do not represent a uniform problem; instead, there are problems in a few programs, in a few geographic areas, and with certain classes of debtors.

Stated another way, the majority of HUD's programs are fiscally sound and well run, and most of HUD's employees are doing a creditable job in serving the taxpayer. Certainly, there are Department-wide problems which have been identified and for which solutions have been developed. A few major ones can be mentioned here and treated in detail in later sections:

- Origination and collection functions are too often combined under the same offices and personnel, with the inevitable result that collections receive a lower priority than they should.
- Program managers and accounting personnel are so separated institutionally that both can successfully point to the other for failure to report critical data.
- Settlement, write-off and termination policies are diffused with each program and often each geographic office following separate individual policies.
- Organizationsl responsibility for debt collection is so broadly distributed throughout HUD that few persons have been held accountable.

Most of the needed changes may involve redistributing resources and centralizing program-specific correctives in those areas having maximum problems. For example, of 50 categories of debt:

- o Three programs, Secretary-held Mortgages, Title I and Section 312 account for 80% of the debt owed to HUD.
- o Four programs represent 92% of the delinquent accounts and 47% of the delinquent debt (Title I, Section 312, Secretary-held Mortgages and Section 202). The debtors are primarily consumers.
- o To focus on Title I, 54% of the Title I delinquencies are serviced by five Area Offices: New York City, Philadelphia, Columbus, Detroit and Chicago - only five out of over forty Area Offices. Note too that the last three offices mentioned are all in HUD's Region V.
- o Of the debt managed by the field, over 50% is under the jurisdiction of only two Area Offices, New York City and Detroit.
- o Two regions, Region V and Region II have more than 48% of the delinquent debt.
- o While 47% of the amount delinquent stems from the four programs mentioned above, another 38% of the delinquencies are from multi-family housing programs where the debtors are primarily private business organizations. The balance of the delinquencies are owed from public sector entities at the state and local levels.

Grounds for optimism can be perceived in such a highly skewed distribution of HUD's debt collection problems. Much of the difficulty comes from programs

in which HUD was given the mission to take special risks, and has accordingly developed substantial delinquencies. That the problems are so geographically contrated, implies that careful redistribution of resources may go far in improving cash collections. Generally, casting a strong light of Presidential concern on a subject like the debts owed the government serves to reveal systemic problems far beyond the subject of just debts. What has been will be most helpful in establishing the priorities for HUD's senior management. While the issue has not yet been specifically addressed by the Debt Collection Task Force, the Department suffers generally from poor staff resources in the areas of automation, information handling and data processing - which are believed are keys to improved productivity from a trimmed Federal agency.

SPECIAL TASK FORCE ON DEBT COLLECTION
HUD STATUS OF ACCOUNTS SHEET
FOR 3/31/81
(Dollars in Millions)

Source: As Reported by Headquarters Offices, June 5, 1981. Revised 6/17/81

	No. of Accounts	Dollars Owed	No. of Accounts Delinquent*	Dollars Delinquent*
HOUSING				
Multifamily				
Multifamily Mortgage Notes Held by HUD	2,000	$ 4,010	400	$173
Multifamily Premiums	1,100	7.6	100	0.9
202 Elderly & Handicapped	1,210	2,448	204	15
MF Delinquent Rents	N/A	N/A	N/A	3.6
MF Sales Receivables	50	0.5	50	0.5
106b Planning Loans	166	1.5	37	0.7
Appalachian Housing Assistance	10	0.2	9	0.2
Rent Supplement	19	0.02	19	0.02
Section 8	185	11.9	41	1.7
236 Rental Assistance	6,000	N/A	N/A	N/A
236 Interest Reduction Overpayments	9	0.3	9	0.3
Multifamily Total	10,749	$ 6,480	869	$195.9
Single Family				
Single Family Secretary Held Notes	19,369	337	17,051	52.6
Single Family Fees and Charges	700	0.4	700	0.4
Single Family Insurance Premiums	1,963	21.8	255	2.1
Title I	57,600	115	51,800	104
Title I Charges	500	0.3	100	0.03
235 Mortgage Interest Overpayments	7	0.008	7	0.008
Deficiency Judgments	N/A	N/A	N/A	N/A
Property Disp. Back Rent Present Occu.	58,523	N/A	3,511	3
Property Disp. Back Rent Former Occu.	N/A	N/A	N/A	2
Single Family Total	138,662	$ 464.5	73,424	$164.1
Public Housing				
Low Income Pub. Hsg. Dev. Perm. Loans	1,880	143	142	3
Low Income Pub. Hsg. Dev. Prelim. "	1,062	21.4	31	0.4
Off-Site Community Facilities	15	.4	5	.2
Low Income Pub. Hsg. Mgt.-Cap. & Int.	9	.6	9	0.6
Low Income Pub. Hsg. Mgt.-Resid. Rcpt.	301	4.6	301	4.6
Low Income Pub. Hsg. Mgt.-Admin. Loan	7	5	3	3
Section 23 Leased Housing	5	2.5	16	.5
Public Works Planning	1,479	.4	49	.006
Aleutian Prefabricated Hsg. Loans	174	.3	0	0
Defense Community Facilities	6	.6	0	0
Public Agency Loans	14	1.5	1	.08
War Public Works	N/A	.05	0	0
Alaskan Housing Program	N/A	.8	0	0
1969-70 Alaskan Remote Hsg. Program	1	.8	1	.8
Public Housing Total.	4,993	181.8	558	13.2
HOUSING TOTAL	154,404	$ 7,136.3	74,051	$373.2
COMMUNITY PLANNING & DEVELOPMENT				
312 Rehab Loans (Prin. & Int.)	64,600	668	5,000	41
Urban Renewal	21	12.8	0	0
108 Public Improvement Guarantees	N/A	N/A	N/A	N/A
CDBG Sustained Audit Findings	N/A	N/A	N/A	N/A
CPD TOTAL	64,621	680.8	5,000	41
GOVERNMENT NATIONAL MORTGAGE ASSOC.				
Special Assistance Fund	55,990	3,163	130	1.4
Emergency Mortgage Purchase Asst.	2,040	77.9	6	.2
Management & Liquidation	30,870	162.5	50	.3
Mortgage-Backed Securities	10	5.1	10	2.7
GNMA TOTAL	88,910	3,408.5	196	4.6
NEW COMMUNITY DEVELOPMENT CORP.				
Interest	5	28	5	23
Principal	2	35	2	35
Fees	6	3	5	2.5
Asset Sale	3	5	0	0
Miscellaneous	4	1	2	.08
NCDC TOTAL	20	72	14	61
ADMINISTRATION				
Travel Advances	3,476	1	759	0.2
IPA Billings	58	0.3	30	0.2
Overpayments, Advanced Leave	560	0.1	560	0.1
ADMINISTRATION TOTAL	4,094	1.4	1,349	0.5
GRAND TOTAL	312,049	$11,298.8	81,410	$479.9**

SPECIAL TASK FORCE ON DEBT COLLECTION
HUD STATUS OF ACCOUNTS SHEET

Footnotes

* "Delinquent" equals 90 days or more except for multifamily mortgage notes which equals 60 days and 312 rehabilitation loans which equals 150 days.

** GRAND TOTAL Dollars Delinquent does not include $169 million of Secretary Held Multifamily Mortgage Notes which are in foreclosure. It also does not include $5 million owed to the Department by the Federal Emergency Management Agency in the wake of the transfer to FEMA of HUD's Disaster activities.

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III

COMPREHENSIVE PLAN AND POLICY DIRECTIVES

HUD's Comprehensive Plan of Action is framed in policy considerations adopted as guidance for all segments of the Department to follow in developing further plans and in conforming to efforts already underway.

With these policy directives, officials will work together to achieve the three goals established by the Secretary:

- To reduce the debts owed and prevent unnecessary new delinquencies
- To analyze and review procedures for collection and servicing debt
- To support fully President Reagan's initiatives by meeting the requirements of OMB Bulletin 81-17

These policy directives and plans are subject to change as the Debt Collection effort progresses and conditions or experience gained so warrant. They may also be expanded or amended as new opportunities for effective action are surfaced.

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A. Aggressive Actions to Recover the Collectable Portion of HUD's Current Backlog of Debt

In this section, a three-pronged approach is proposed:

First, very high levels of management will have the continued assignment of on-going responsibility for loan servicing and debt collection. While this subject is discussed in detail below, it should be noted that this agency has had three debt collection task forces, and it is the intent of the current management that this third effort will accomplish significant and tangible results.

Second, we will contract out defaulted loan processing. Of the 50 categories of HUD's debt, the following are considered very suitable for a one-time "big push" to clean up irregular accounts and replace archaic manual and in-house automated processes with modern loan processing services:

- o 312 Delinquent Loans
- o Title I Defaulted Loans
- o 202 Defaulted Loans
- o Secretary-Held Mortgages

These four programs total 76,055 delinquent accounts with a total debt of $240 million owed to HUD and represent 47% of the delinquent debt owed in dollars and 92% of the individual accounts. In connection with the discussion of this facet of our approach provided below, the 312 defaulted loans portfolio had monthly collections of less than $20,000 per month. Yet, within three months after the commercial service was put on line, cash collections had climbed to over $100,000 per month. Today they exceed $680,000 per month. The costs of this service to the taxpayer including the attendant HUD staff is less than $25,000 per month!

Third, we will review and revise settlement, write-off and termination policies. Over the years, a myriad of programs have resulted in an un-administerable galaxy of overlapping and conflicting policies.

1. Assign a High and Continuing Priority to Loan Servicing and Debt Collection

It is an essential element of responsible management and sound fiscal policy that debt collection be given a heightened priority on all agendas for management decisions and actions.

Responsibility/Timetable: All HUD Staff and personnel on a continuing basis.

There have been several different Task Force efforts in the recent past at HUD resulting in many studies and plans. Senior management has not generally followed up on the accepted plans for improved policies and processes. For example, the new MIA System (HUDMAP) has frequently been cited by the Department to the Congress, GAO and OMB as the answer to most reporting and accounting deficiencies with FHA programs. Yet, over five years and more than $35 million have been spent without anything operating. Hard decisions must be taken soon. Most of the crucial proposed unified component systems are not expected to be operational before 1982 or later. With costly regularity, the target dates for completion and on-line operations have been moved forward a year.

Target dates for final decisions and actions required by this plan will be fixed, and responsible officials will be held accountable.

2. Contract Out Loan Processing

Where feasible, program managers will contract for loan processing services to support the accounting of HUD held loan portfolios.

Responsibility/Timetable: The coordinated plan from the program offices and accounting operations will be due to the Debt Collection Officer July 15th.

The 312 loan management experience in Philadelphia developed by accounting and program managers has proven the significant cost and technical advantages of using contract commercial loan processing services. Such services support the operations of thousands of mortgage lenders very efficiently and require minimal modification to properly handle irregular payments from HUD borrowers, to reflect forbearances, and to handle subsidy payments. The Department is convinced that in-house Univac-compatible, customized or new systems development are not required nor desired.

For the following four HUD-serviced portfolios: Section 312 Defaulted Loans, Section 202 Defaulted Loans, Title I Delinquent Loans, and HUD-Held Single Family Mortgages, the program offices and accounting operations responsible will develop a coordinated plan to contract out loan processing. The Department will meet requirements of OMB Circular A-76 for cost/benefits analysis. The Department's Office of ADP Systems Development has a technical staff role to advise on cost-effective processing, to assist in expediting such procurements, and to support the conversion and transition of data files processed in-house to the new contract services.

3. Review and Revise Settlement, Write-off and Termination Policies

The Debt Collection Task Force will recommend for adoption by the Secretary, uniform policies for the settlement and write-off of the various categories of uncollected debts as well as for termination of collection activities.

Responsibility/Timetable: Debt Collection Task Force with assistance from General Counsel and other Assistant Secretaries. Final Report and Recommendations due October 30th to the Secretary.

Currently, individual programs employ varying standards for write-off, settlement, and termination of collection efforts for various kinds of debts. Application of standards must be uniform. A particular area for study is consideration of the General Accounting Office's system under which employees are delegated write-off authority by grade level for debts of varying sizes.

A major consideration of any such standardized policies should be that HUD employees who have the responsibility to approve loans, contracts and grants will not be delegated authority to terminate or write-off monies that may become due the government as a result of their actions. Coupled with standard write-off and termination procedures, such a system could greatly facilitate the write-off process.

B. Implement Effective Credit Management Procedures to Prevent Unnecessary New Delinquencies

In this section six separate steps are proposed. In general, we find many of the Department's established and written debt management procedures are cogent, creditable and complete. They are not always followed, management is not readily held accountable, and staff are rarely distributed adequately to the tasks the handbooks set forth for them to do. There is therefore a common thread that runs through five of the six steps: that HUD's unsatisfactory outcomes with its debts are in significant part due to the organizational characteristics rather than ignorance or an absence of decent procedures to follow. Once certain realignments are made, proper accountability can be placed, progress can be monitored and debts effectively collected. The present arrangements suffer a common lack of "risk assessment", that is, ongoing analyses by program managers of debts to ascertain which arose from legitimate risks taken by HUD from the legislation of the Congress in contrast with debts which arose from poor management, insufficiency of "due diligence" in extending credit, and from fraud.

First, we propose to separate the functions of debt origination from the functions of debt collection. This is an essential financial control principle to maintain an appropriate separation of duties that prevents possible conflicts of interest. Additionally, we realize that the majority of HUD's staff must be allocated to the delivery of program services as delinquent debts are still much rarer events than current repayments. Debt collection needs specialized and highly trained staff, but it is not necessarily desirable that such a small technical staff be organized to exactly parallel the structure of the program delivery parts of HUD. A centralized debt collection program would generally seem more desirable than decentralized activities where staff specialization would be lost. Centralization does not mean

"in Washington, D.C." in all cases either.

Second, we propose to explore the feasibility of providing program managers with additional accounting information to permit them to be responsible for the consequential debts generated by their programs. At present, program personnel do not always keep accounting personnel fully informed nor do accounting personnel provide program managers with available data in timely and useable forms.

Third, when the preceding two steps have been taken, there will then exist the context within which responsibilities may be properly fixed. We intend to fully use all the personnel incentives and sanctions available by law.

Fourth, the preceding three steps will be very importantly affected by the passage of the proposed Debt Collection Act of 1981. We intend to monitor its progress through the Congress most closely and stand prepared to make alternative legislative proposals tailored to HUD's circumstances should the proposed Act fail.

Fifth, we propose to allocate resources to debt collection and insure that they are used for that function. This has been a key failing of past (although well intentioned) debt collection efforts. We propose to develop the cost analyses required to permit rational allocations based on highest returns to the taxpayer. Management will concentrate on area and programs where delinquencies are concentrated in order for our efforts to yield the greatest and earliest results.

Sixth, HUD is required by Section 530 of the Housing and Community Development Act of 1980 to change the way it collects premiums for mortgage insurance.

The Assistant Secretary for Housing-Federal Housing Commissioner is exploring ways of implementing this legislation. The affected parties would be primarily 1,500 mortgage banking companies who do over 80% of the FHA mortgage insurance servicing.

1. Examine the Feasibility of Separating the Functions of the Debt Origination from those of Debt Collection

In shaping its organizational structure, delegation of authorities, and position descriptions, HUD will endeavor to separate the functions of credit extension and debt origination from the functions of servicing debt and collecting monies owed.

Responsibility/Timetable: All staff, Task Forces and Program Managers will coordinate their planning efforts with the Debt Collection Task Force for a careful consideration of this concern and will document for it any changes in delegations, organizations or position responsibilities concerning debt collection for its appropriate inclusion in the September 30th report of the Debt Collection Task Force.

In the Report of the Debt Collection Project of January 1981, by the Office of Management and Budget, it was recommended that such separation of functions is necessary for organization managers to be held accountable for their functions.

Agency resources intended for debt collection and servicing are often diverted to other functions or operations at the Regional and Field Office level. This has been particularly true in our Title I program. Such diversions have resulted partly from the misperception by management that proper servicing of accounts is secondary to other missions of the agency.

Establishment of separate servicing/collection functions provided with adequate staff and resources will underscore the Department's commitment to this task.

2. Invest Program Offices with Enhanced Accounting Information

HUD will explore the feasibility of providing the program Assistant Secretaries with more accounting information. than they now receive. This will permit program managers to be more responsible for the consequences of their actions in originating debts to the Department.

Responsibility/Timetable: The program Assistant Secretaries in cooperation with the Debt Collection Officer will explore the feasibility of making the required information more available, and will report their findings and recommendations to the Secretary as soon as reasonably possible.

As HUD is presently organized, the Department's Office of Finance and Accounting has been expected to provide generalized information, largely on a quarterly basis, to program units. HUD's large variety of missions, programs and reporting requirements have resulted in various program-specific accounts and accounting systems, set-up prior to HUD's formation as a department. Many program accounts are still manually kept. The present arrangements do not meet the needs of those responsible for program performance. There is a need for more timely information for management decisions.

A general departmental goal is to make program officials responsible for the efficient operation of their programs and accountability. The Debt Collection Task Force found large quantities of data were not reliably reported by program personnel to the Office of Finance and Accounting. Thus, this office could not readily report the data it did have to the program managers.

3. Fix Employee Accountability

For all managers with debt collection or debt servicing responsibilities and duties, HUD will clearly fix accountability by including realistic achievement expectations for debt collection and servicing as critical elements in Employee Planning and Performance Evaluations (EPPES).

under established personnel procedures.

Responsibility/Timetable: All managers are responsible for implementation. The Assistant Secretary for Administration will coordinate with the Departmental Debt Collection Officer to make all HUD managers aware of this policy and requirement and to have it included in performance appraisals wherever and whenever appropriate.

Periodic progress reports will be made to the Secretary and summarized in HUD's September 30th report of the Debt Collection Task Force.

Assignment of specific dollar amount collection targets to individual managers or employees engaged in debt collection is discouraged because employees are required to examine the conditions of the debt and the debtor and exercise prudence in their work, particularly when dealing with private sector consumers who are impoverished and cannot pay. Collection efforts on many such accounts need to be terminated and the debt written off when legal standards are met and the debtor's condition is verified and documented. Therefore, instead of target dollar amounts being assigned to individuals as measurements of performance, HUD will focus on the appropriate identification, reporting, accounting and servicing of debt, by individual employees, including specifically the timely initial contact and demand for payment.

An example of an area in which such accountability could make an immediate improvement in debt collection is in follow-up of sustained audit findings. The Inspector General has just reported to Congress that, there are sustained audit findings at HUD totaling $52.6 million, most of which are more than six months old, and all of which have been acknowledged as valid by Area Managers. HUD's records do not indicate whether demands for payment have been issued by the HUD program employees responsible for servicing this debt.

The failure to act responsibly in debt servicing reflects poorly on the Department, is causing embarrassment, and is unacceptable performance. This will be corrected quickly.

4. Plan for Rapid Implementation of the Proposed Debt Collection Act of 1981

HUD will plan ahead and quickly take advantage of any new opportunities for debt collection and servicing that may result from enactment of pending legislation, particulary the Debt Collection Act of 1981.

Responsibility/Timetable:

1. The Assistant Secretary for Legislation and Congressional Relations will track legislation now pending and regularly report and brief the Debt Collection Task Force and principal staff of developments so that all components responsible may plan accordingly.

2. All HUD staff responsible for systems and planning, including various Task Forces and program managers, will develop contingency plans to quickly incorporate advantages that may be available if this legislation becomes law.

To begin immediately and continue indefinitely.

The lag time between new legislation and implementation has sometimes been long and costly. In the past HUD has been caught by surprise without plans, systems, procedures or operations that are compatible with new statutes. By staying informed and by coordinating our plans and systems to accommodate contingent opportunities, we can increase and speed our debt collections.

5. Allocate Resources to Meet Needs

HUD resources will be allocated to respond to debt servicing and collection problems by program need and geographic concentration.

Responsibility/Timetable: Monthly progress reports to the Debt Collection Officer will be filed with the Secretary by the Assistant Secretaries responsible for collections and servicing.

The component plans of program after program report that lack of staff and automated system support seriously deter the morale and effectiveness of claims collection staff throughout the Department.

For all HUD programs, Headquarter's Program Managers and Regional Administrators will identify problem areas and focus on such geographic and programmatic concentrations of debt to be sure they have the necessary means and support to reduce delinquencies.

6. Examine Feasibility of Securing Prompt Collection of HUD/FHA Mortgage Insurance Premiums

The HUD/FHA Mortgage Insurance Premium collection procedure will be studied to determine a feasible means of implementing Section 530 of the Housing and Urban Development Act of 1980.

Responsibility/Timetable: The Assistant Secretary for Housing-Federal Housing Commissioner will study various proposals and alternative procedures to implement the law, and will recommend to the Secretary a system and procedure that will accomplish this.

Since 1934, FHA mortgage insurance premiums have been collected by HUD approved mortgagees on a monthly basis from borrowers who make monthly payments to them. Monthly payments by borrowers includes principal, interest, mortgage insurance and other items for escrow accounts such as fire insurance premiums and real estate taxes. Under present procedures, the mortgagee holds these monthly premiums as they are paid in until HUD sends the mortgagee an annual bill. For each FHA insured mortgage HUD sends a bill for a year's premium on the annual anniversary of the month in which the mortgage was originated. Mortgagees normally receive monthly bills from HUD for premiums on all mortgages they hold whose anniversary dates are for that month.

C. Actions to Recover Newly Occurring Delinquencies

Much of HUD's "debt" represents the Federal government's extension of guarantees to sound loans. If we make an intensive effort to clear up our backlog and realign our resources to deal expeditiously with the remaining delinquent debt, it is our view that newly recurring delinquencies will primarily need to be subjected to the "risk assessments" we discussed above. That is, to carefully distinguish legitimate bad debt from that debt due to poor management practices. It is an axiom of all credit policies that <u>some</u> bad debt is essential to assure that credit policies are not so restrictive that unknown good business has been turned away unnecessarily. With only rare exception, the fiscally sound programs of the Department have very low and reasonable levels of bad debt. The programs that Congress intended should take special risks have indeed had substantial default rates.

The lesson should be obvious, but the solutions are not entirely within the authorities of HUD.

In addition to establishing the analytic capabilities to undertake the essential risk assessments discussed above, we propose these specific steps:

<u>First</u>, a detailed policy review to establish the missing guidelines as to what <u>in detail</u> should be HUD's approach to collecting debts owed by widely differing classes of debtors like individual consumers, hard hit inner cities, and defunct non-profit agencies. We strongly believe such detailed policy reviews should be made by the realigned program officials to develop the expertise that will permit the Debt Collection Officer to integrate a sound debt collection program that is administerable and not another burdensome level of overhead on the Department's staff.

Second, we propose to take full advantage of the opportunity to use HUD legal staff "deputized" by Justice to act as special U.S. Attorneys, if a mutually satisfactory arrangement for them can be worked out between the two departments.

1. Differentiate Collection Policies by Magnitude of Debt and for Private vs. Public Debtors

The Debt Collection Task Force will work with each program office to develop separate strategies for collection of debt of varying magnitudes and of that debt which is due from private parties from that which is due from public entities.

Responsibility/Timetable: The Task Force will recommend policies and report to the Secretary before August 11, 1981.

Distinctions need to be made between "consumer-type" loan programs (e.g., Title I home improvement loans and single-family 312 and FHA-insured loans), business loans (such as loans on multifamily or nonresidential property or land development loans), and loans to public or quasi-public entities (e.g., public facility loans, urban renewal or low rent housing temporary loans). Substantially different legal requirements may apply to these different classes of loans (such as the applicability of the Truth-in-Lending Act to consumer loans, including repayment agreements). Such differences will necessitate variations in collection procedures.

Also, from a purely policy standpoint, different collection practices are needed for different types of loans. For example, typical commercial collection practices for consumer loans have only limited applicability to business-type loans on large housing projects, and they have almost nothing in common with collection practices needed for loans to public bodies and local governments.

In addition to the distinction between public and private debt, it is important to distinguish policies and procedures for debts of varying magnitudes. 38% of HUD's delinquent debt, for example, is owed on large defaulted multi-family insured loans. Amounts due from Secretary held single

family loans or from overpayments of rental assistance can be amounts smaller than $100. Varying cost/benefit ratios apply to the collection of such diverse amounts with the collection of smaller debts being labor or staff intensive.

Finally, there are some debts which do not represent consensual loans or grants. Such debts are claims which may require yet other variations in collection techniques, depending on whether the basis of the claim is some wrongdoing on the part of the party against whom the claim is made or whether it arises from a mistake by HUD. Examples of these types of claims are Section 8 overpayments, some audit findings, and frauds.

2. Seek Appointment of Special U.S. Attorneys

The General Counsel will seek to have HUD Counsel appointed as Special Assistant U.S. Attorneys by the Department of Justice to litigate debt collection cases for HUD directly under the auspices of Justice. He will also investigate the potential for employing private legal services to support the Departmental collection efforts where appropriate.

Responsibility/Timetable: General Counsel; report due Debt Collection Task Force, July 30, 1981.

GAO (Comptroller General) claims procedures now require that many debts and claims be first referred to GAO before they are sent by GAO to Justice for suit. However, since 1978, GAO has authorized several agencies to deal directly with the Department of Justics in handling debt collection cases. The ability of the agency to refer debts directly to HUD/Special Assistant U.S. attorneys and to notify debtors of this possibility would greatly strengthen our ability to deal with recalcitrant debtors and provide continuity of collection actions.

Taking responsibility for collection, including a major litigation role, should result in more timely recovery action, an incentive for intensified prelitigation collection efforts, and follow-up of judgments rendered.

Another benefit of agency litigation is that certain multi-family mortgage judicial foreclosures as well as debts under $600 which are not now referred to U.S. attorneys could be considered for litigation by the Department's own special U.S. attorneys or perhaps be contracted out to private attorneys for legal action.

GAO supports the concept of agency litigation of debts and the provision of additional litigative resources for debt collection. Since the Department of Justice may administratively permit agency attorneys to litigate debt cases, legislation may not be necessary.

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SUMMARY OUTLINE OF

PROBLEMS AND PLANNED SOLUTIONS FROM

COMPONENT PLANS SUBMITTED BY HUD OFFICES JUNE 5

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IV

HOUSING

Multifamily

Mortgage Insurance	Target Date
1. Inadequate preventive servicing.	
• Financial statement training for 500 loan services	1st Q 82
• Initiation of third-party servicing program	1st Q 82
• Fee Attorneys to collect diverted project funds	2nd Q 82
• Financial/debt analyst to be assigned in field offices with heavy default loads	3rd Q 82
2. Weak collection/foreclosure tools.	
• Train field staff to implement new decentralization of workouts	4th Q 81
• Establish uniform foreclosure law	FY 81
• Hire fee attorneys to litigate foreclosures	4th Q 82
• Exempt HUD projects from Bankruptcy Act to prevent foreclosure delay by owners	FY 82
• Implement new income tax deduction policies to remove owners' incentive for foreclosure delay	
3. Lack of systematic collection monitoring -- inadequacy of EMR goal approach.	1st Q 82
• Set up monitoring system	
4. Multifamily Mortgage Servicing System (MMSS) not yet operational.	
• Implement automated billing/collection system	July 81
5. Need for financial information system.	
• Make financial data in MIAS available to MIDLIS which already has inquiry capability	

202 Elderly and Handicapped	
1. Frequent inability of delinquent non-profit sponsors to pay delinquent interest charges.	
• Add interest delinquency to the unpaid principal balance	
2. Lack of automated accounting system/no ADP development staff in 82 budget.	
• Multifamily begins talks with Finance and Accounting regarding design of automated system	Immediately

Delinquent Rents	
1. Laxity of field staff in referring uncollectable accounts to collection agencies.	
• Memo from headquarters	4th Q 82
2. Freeze/delay in contracting for software to implement Project Based Budget System which will report projects where delinquencies increase 5% a month for 2 consecutive months.	
• Implement ASAP	1st Q 82
3. Additional reporting requirements need to be placed on management brokers.	
• Amend management contracts/increase management fees	

Sales Receivables	
1. Difficulty in establishing amount of prorated sales due at time of closing.	July 30, 1981
• Implement establishment of escrows of estimated amounts on date of closing	

	Target Date
• Refer debtors to Participation and Compliance Division for possible repossession	Sept. 30, 1981
• Refer cases to collection agencies	FY 82

106b Loans for Planning Low Income Housing Projects

1. Many of the non-profit borrowers no longer exist.
   - Assignment of full-time claims collection officer to Preservation and Sales

Appalachian Housing Assistance

1. Most original sponsors are defunct; claims collection officer is only part time.
   - Assignment of full-time claims collection officer to Preservation and Sales

Section 8 and Rent Supplement

1. Overpayments to project owners based on error or tenant fraud.

• Continue development and implementation of the Certification/Recertification Voucher System (CRVS)	4th Q 82
• Contract out occupancy reviews, voucher processing and tenant certifications	1st Q 82
• Hire fee attorneys for collection assistance	
• Publish Occupancy Handbook	June 1981
• Lack of funds to train field staff in voucher review	1st,2nd,&3rd Q's 82

Section 236 Rental Housing Assistance

1. Lack of automated system to determine excess income by project owners.

• Develop system to sort and list project reports	July 1981
• Review system listings and clean up data base ten staff years required for the above two steps	October 1981
• Implement Multifamily Excess Rental Income System to monitor monthly reports	Nov. 30, 1981
• Provide to field offices quarterly reports of participants not complying with reporting requirements	Dec. 20, 1981
• Designation of field representatives to review reporting adherence	

Mortgage Insurance Premiums

1. Automated Mortgage Insurance Accounting System not yet implemented.

• Review debts and issue final demand notices (in addition to routine 30, 60, 90 day reminders)	Sept. 30, 1981
• Refer delinquent mortgagees to the Mortgagee Review Board for sanction	Dec. 30, 1981

Section 236 Mortgage Interest Subsidy

1. Overpayments to mortgagees based on fraud or error.
   - Too small a problem to merit solution

Title I Property Improvement and Mobile Homes	Target Date
1. Lack of priority previously given to collections.	
• "Top Priority" assigned by the Under Secretary and Assistant Secretary-Federal Housing Commissioner with monthly tracking through the EMR system	
• Field managers increasing staffing through reassignments, details and overtime. Additional travel funds allocated by headquarters.	
2. Work measurement standard inadequate to account for regional variations in travel time.	
• Collection work measurement study being undertaken by the Office of Housing Operations and Field Monitoring. New standards will recognize activity level, travel requirements and minimum staffing needs for small stations.	
3. Inadequate automation of recordkeeping, accounting and clerical functions.	
• RFP for automated system to be approved	June 81
• RFP to be awarded	1st Q 82
4. High turnover of staff.	
• Two training classes scheduled	1st Q 82
5. Low Morale exacerbated by downgrading.	
• Secretarial intervention requested to reverse downgrading	
6. Inadequate staffing.	
• Analysis will be made of employing private debt collectors	June 82
• Hire additional defaulted loan officer to improve monitoring	

Title I Insurance Premiums	
1. Minimal delinquency over 5 days and no problems.	
• No steps planned	

Single Family Application Fees	
1. Obligations are at least a year old since charging fees was discontinued in June 1980.	
• Notify mortgagees they will be suspended from HUD programs if debts are not paid in 30 days	
• If not paid, turn over to General Counsel for legal action	

Secretary-Held Home Mortgages	
1. Inadequate standards and priority.	
• Re-emphasize assignment acceptance criteria through training	Early 82
• Hold training sessions on new Handbook when issued	Nov. 81
• Field offices will report on EMR goal on more effective action on delinquent forebearances	
2. Inadequate support from the Office of Finance and Accounting.	
• RFP being developed for system compatible with HUD-MIAS (OFA requests Secretarial attention to this)	Early 82

3. Inadequate staffing allocation.
   - Memo to Regional Administrators stressing importance of servicing and collection — June 30, 1981
   - Employ commercial service bureau — Early 82

4. Complicated Foreclosure Process.
   - Eliminate pre-foreclosure review by Office of Single Family Housing — July 1, 1981
   - Contract out statements of account — Early 82
   - Propose to OGC decentralize their control over foreclosure — July 1, 1981

Deficiency Judgments

1. The Departmental position is to not pursue collection and thus there are no standardized procedures.
   - Develop standards and policies for conditions under which HUD will collect — Dec. 1, 1981

2. Lack of Recordkeeping.
   - Request General Counsel to analyze which states require filing of deficiency judgments — July 1, 1981
   - Develop system to identify judgments — Oct. 1, 1981
   - Reinforce to mortgagees the requirement that deficiency judgments be assigned to HUD upon conveyance of the property — Oct. 1, 1981

Section 235 Assistance Payments

1. Difficulty locating debtors.
   - Utilize Haines Locator Index and other available sources — Aug. 15, 1981
   - Request IRS assistance — Aug. 15, 1981

2. Lack of follow-up on payments.
   - Establish reporting system with OFA — Aug. 1, 1981

Property Disposition

1. Back rent is due from 1977-1980 during which time there was a moratorium on evictions for non-payment.
   - Clarify misunderstandings regarding commencement of delinquency via change in Handbook — Oct. 1, 1981
   - Shorten delinquency period required for evictions — Oct. 1, 1981
   - Assess 4% late charges — Oct. 1, 1981
   - Develop a report to monitor progress on delinquency reduction — Oct. 1, 1981
   - Set OPLAN goal of percentage of delinquency to be reduced each month. Link to Chief Property Officer's merit pay. — Oct. 1, 1981
   - Monitor Detroit test program of employing collection agency against former occupants — July 1, 1981

2. Inadequate data on monthly delinquencies.
   - Discuss possible expanded reporting by the Office of Finance and Accounting

Low-Income Public Housing Development	Target Date
1. Current collection procedures do not address Public Housing Authorities that cannot or will not repay.	
• Page changes being prepared to handbooks to require demand letters, CDBG offset, termination from HUD programs, and final referral to the Claims Collection Officer	July 81
• Changes to be implemented	Sept. 81

Low-Income Public Housing Management

1. Inadequate procedures for collecting excess operating income, (Residual Receipts), administrative loans, overpayments of lease payments to Authorities which lease projects from private owners, (Basic Annual Contributions), and Unguaranteed Loans for commercial or public facilities.
   - Housing is cooperating with the Office of Finance and Accounting to make permanent the highly successful interim procedures implemented last year: OFA forwards quarterly delinquency reports on residual receipts directly to field offices for collection activity. For administrative loans delinquency, OFA will continue to provide delinquency reports to Headquarters Housing which will take action or refer them to the field.

Advances for Public Works Planning Program Revolving Fund

1. Lack of travel funds for collection.
   - More funds will be requested

Public Facility Loans Program Revolving Fund (Liquidation Programs)

1. Municipalities often refuse to make the rate hikes necessary for the public facilities to cover expenses.
   - Assistance is sought from other state and federal agencies
   - Offset against Community Development Block Grants is possible

Aleutian Prefabricated Housing Loan Program (Revolving Fund)

1. No delinquencies.
   - No planned steps

Defense Community Facilities Program (Revolving Fund)

1. No delinquencies.
   - No planned steps

Public Agency Loans Program Revolving Fund Reconstruction Finance Corporation

1. Small volume of delinquencies.
   - No planned steps

War Public Works Program (Revolving Fund)

1. No delinquencies.
   - No planned steps

Alaska Housing Program Revolving Fund (Nunka Valley)

1. No delinquencies.
   - No planned steps

1969 and 1970 Alaska Remote Housing Programs

1. Alaska State Housing Authority refuses to repay and occupants have sued both the authority and HUD.
   - Request assistance from the State of Alaska — Sept. 81
   - Take legal action against the Authority — Jan. 82

Departmental Claims Collection System

1. Scattering of responsibility between headquarters program offices, field offices, and Office of Finance and Accounting (OFA)
   - Office of Management will review plans submitted to avoid conflicts
2. Inability of OFA to provide timely and accurate claims data
3. Lack of follow-up by Department of Justice on claims referred there
4. Lack of vigorous monitoring by headquarters of field collection activity hampered partly by travel restrictions
   - Expand audit tracking system to monitor field collections of sustained audit findings
   - Assist program offices in developing requests to contract out some collections activities
   - Recommend that collection be included in employee evaluations of housing executives

COMMUNITY PLANNING & DEVELOPMENT

Section 312 Rehabilitation Loans	Target Date
1. Need to decide whether to continue with FNMA and its contract servicers or advertise for an alternative national servicer.	
• Further study by Debt Collection Task Force	Jan. 1982
2. Need to determine how to continue ongoing collection efforts after program closes, including need to maintain residual staff for statutory requirements.	
• RFP to be advertised for accounting and management tracking	June 1981
• Procurement to be executed with Washington-based services to provide collection, accounting, legal and management services	June 1981
• Assignment of all legal actions to private attorneys	Sept. 1981
• Study assignment of all property disposition to private mortgage banks	Sept. 1981
• Study sale of charge-offs to collection agency at discounted rate	Sept. 1981
• Study sale of portion of portfolio to private market	Sept. 1981

Urban Renewal

1. Debts are normally collected through offset of other federal grants or loans and these are sometimes inadequate.
   - Additional special grant funds are needed from Congress

Section 108 Loan Guarantees for Public Improvements

1. Offset of CDBG grants is always adequate to cover debts.
   - No steps planned

Sustained Audit Findings

1. Lack of information.
   - Initiate discussions with Inspector General to develop reports for use by program staff — June 1981
   - Implement procedures to monitor collection efforts by field staff — Sept. 1981
2. Confusion as to when repayment of disallowed amounts is required.
   - Review reimbursement requirements with Inspector General and General Counsel — Aug. 1981
   - Issue guidelines to Field Staff — Sept. 1981

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

Mortgage Programs

1. Low delinquency rate reflects that the present system is working adequately.
   - No changes planned

Mortgage-Backed Securities Program

1. Inadequate monitoring capability to detect and prevent issuer default.
   - Interface with FHA's Mortgage Insurance Accounting System (MIAS) is planned contingent upon MIAS implementation and adequate ADP funds for the interface.

NEW COMMUNITY DEVELOPMENT CORPORATION

Principal and Interest Payments to Bond Holders and Annual Fees

1. Debts not collectable where assets have already been acquired. Collection on the few remaining viable communities would force foreclosure at this time.
   - Future land sales may engender sufficient funds for eventual repayment

Amounts Related to Sale of Assets

1. Complex legal matters related to contracts for deeds.
   - OGC is taking steps to collect it

Travel Advances

1. The only problem is that the collection process is time consuming
   - No steps planned

Intergovernmental Personnel Act Billings

1. No problems
   - New collection procedures were initiated last year to require termination of seriously delinquent contracts

Overpayment of Salaries and Advances for Leave

1. No problems
   - Levies are made against retirement contributions when settlement fails

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V

COMPONENT PLANS

The following component plans were developed by each Departmental office responsible for procedures, programs or operations in which debt is originated or managed. These component plans were developed and submitted to the Debt Collection Task Force before the preceding Comprehensive Plan and Policy Directives were distilled. They will now be carefully reviewed and analyzed by all parts of HUD including Regional and Field Office personnel and amended to conform to the policies announced and directives given here. HUD has many thoroughly knowledgeable, experienced and dedicated employees in the field who will be invited to comment directly to the Task Force to improve these plans.

Many of the actions proposed in these components are already underway. Timetables will be shortened wherever possible and performance will be monitored.

The component plans are operational but not finally approved. The following outline summarizes the problems and proposed solutions which are cited in the individual components.

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MUTLIFAMILY HOUSING PROGRAMS

DEBT COLLECTION PLANS

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PART I

FHA Multifamily Mortgage Insurance Programs
(HUD-Held Mortgages)

1. Program Description

Assigned Mortgages

Under its contract of mortgage insurance, a mortgagee has the right to assign to HUD any mortgage which is two monthly payments delinquent. HUD pays the mortgagee the unpaid principal amount less a 1% foreclosure fee and thereafter becomes holder of the mortgage note. HUD then is mortgagee and the project owner remits monthly payments to HUD while HUD works with the owner to reinstate the delinquent mortgage.

Purchase Money Mortgages

Often the defaulted mortgages held by the Department are not reinstated and the Department forecloses and acquires title to the property. When HUD eventually sells the acquired property, it often provides financing by taking back a Purchase Money Mortgage. Routine mortgage servicing activities, e.g., rental increases, annual physical inspections, management reviews, etc., are in accordance with normal HUD rules and regulations.

2. Description of Delinquent Debt Generated Under the Program

A delinquent debt is the monthly payment required under the terms of the mortgage which is sixty (60) days overdue or the minimum amount required under a provisional workout arrangement which is thirty (30) days overdue.

Types of debt are: (a) service charges, (b) real estate taxes, (c) interest on advances, (d) interest, and (e) principal.

The debtors consist of the public, taxable businesses--both corporate and partnerships, and nonprofit entities. In rare instances, municipalities or other local governments are debtors.

The following cities have the largest HUD-held inventory: Boston, Massachusetts; Newark, New Jersey; New York, New York; Chicago, Illinois; Detroit, Michigan; Columbus, Ohio; Dallas, Texas; and Kansas City, Kansas.

3. Collection Procedures Analysis

At present, monthly notices of mortgage payments due are forwarded to the mortgagor on the 20th of the month preceding the due date of the payment. A copy is also transmitted to the appropriate Area/Service Office for use in monitoring amounts due and collection activity. Appropriate foreclosure proceedings may be initiated on the mortgage if the mortgagor does not remit the required amounts due. Current procedures also provide for the field office staff to meet with owners to discuss plans for reinstating delinquent mortgages. The reinstatement plans are formalized into workout arrangements.

4. Major Problems and Issues

Problem 1 - Inadequate Preventive Servicing.

Defaults and subsequent mortgage assignments can often be prevented by more aggressive and thorough servicing of the project mortgage by the loan servicer. Among other things, it is the loan servicer's responsibility to review financial statements; to perform physical inspections of the projects; to process rent increases needed to assure a project's viability; and to process mortgage relief requests in a timely manner.

There are several approaches that need to be taken to assist loan servicers in preventing mortgage defaults and in increasing their ability to cure existing defaults:

(1) Applied classroom training in review of annual financial statements for 500 loan servicers. This training will teach servicers how to assure that project funds are not being diverted for unauthorized purposes and that funds are being used in accordance with previous agreements.

(2) A Third-Party Servicing Program should be initiated. This Program, approved by OMB for implementation in FY 1982, will allow Housing to contract out certain loan servicing functions. In doing so, loan servicers' workload will be reduced enabling them to better service their multifamily portfolios.

(3) Fee attorneys should be hired to assist in collection of diverted project funds.

(4) Field offices with the most defaulted and assigned mortgages could be staffed with a Financial/Debt Analyst. This person would be responsible for coordinating the field office effort in reviewing financial statements, following up on delinquent mortgagors, etc.

Steps Planned	Timetable
a. Financial Analysis Training	a. First Quarter - FY 1982
b. Third Party Servicing	b. First Quarter - FY 1982
c. Hire Financial Analyst	c. Third Quarter - FY 1982
d. Hire Fee Attorneys	d. Second Quarter - FY 1982

Problem 2 - Multifamily enforcement tools used in collection of debt need strenthening.

The Department's objective with a defaulted HUD-held mortgage is to determine the prospects for reinstatement of the loan. After making an analysis of the project's financial and physical condition, field office staff and the project owner and manager devise a relief plan for solving the project's problems. If the analysis reveals the available tools and resources are insufficient to solve the project's problems, field office staff recommend to Central Office that the mortgage be foreclosed.

Often, however, project owners are uncooperative with the field office staff's attempts to develop relief plans in a timely manner. Further problems develop when mortgages are put into foreclosure. Owners employ sophisticated trial counsel to contest and delay foreclosure actions. During this period of time, owners continue to claim income tax deductions for depreciation expenses and accrued but unpaid interest and real estate taxes. Further delays are caused by the lengthy judicial foreclosure process and the Department of Justice which often does not handle foreclosure cases on a priority basis.

There are three recommended approaches for dealing with this problem:

(1) We can toughen negotiations on troubled projects by giving field office staff the authority to approve relief plans for certain mortgages. This authority was decentralized in April 1981. This new procedure should have an impact on project owners and managers because field office staff will have more clout in dealing with them since their proposals will not need Central Office approval. This procedure also will shorten the time frame for putting mortgages under an approved plan. This is important since there is an EMR goal that 90% of HUD-held mortgages be under plan. In order to fully implement this new procedure, however, field office staff must receive training.

(2) We can shorten the time frame for foreclosures by establishing a Uniform Foreclosure Law and by using fee attorneys to assist in the judicial foreclosures. With establishment of a Uniform Foreclosure Law, there will be no need for the lengthy judicial process. The Senate and House both have included this provision in their bills. We have recommended to Assistant Secretary Winn that OGC pursue with the Department of Justice the feasibility of retaining private law firms to litigate judicial foreclosures. We believe that this procedure will substantially reduce the time frame from initiation to completion of foreclosures.

(3) We can remove existing incentives for owners to delay the foreclosure process. By obtaining exemption of HUD projects from provisions of the Bankruptcy Act, owners will no longer have a means of delaying foreclosures by filing bankruptcy. OGC already has commenced steps to amend the Bankruptcy Act. We also can remove owners' incentives to delay the foreclosure process by implementing such policies as (a) waiving HUD's collection of future interest on mortgages in foreclosure, thereby, making it non-deductible and (b) preventing accrual-basis taxpaying owners from taking inappropriate tax deductions on Federal income tax returns.

Steps Planned	Timetable
a. Train field office staff to fully implement decentralization of workouts	FY 1981 - Fourth Quarter
b. Establish Uniform Foreclosure Law	FY 1982
c. Hire Fee Attorney	FY 1981
d. Exempt HUD projects from Bankruptcy Act	FY 1982 - Fourth Quarter
e. Implement new policies pertaining to income tax deductions	FY 1982

Problem 3 - Lack of useful system for monitoring collection of debt.

There is an EMR goal that the delinquency on HUD-held mortgages be reduced by 10 percent this fiscal year. We do not think the EMR system is the most appropriate way to monitor the debt collection effort primarily because there are many variables in the reduction of this debt over which field office staff have no control. For example, (1) the economy may worsen where the project is located, reducing the income available for debt service; (2) unforeseen emergencies develop at projects, draining their resources; (3) the status of the HUD-held inventory is always changing, with new and bigger mortgages being assigned every month.

We think that a system of monitoring should be devised which puts emphasis on (1) placing mortgages under an approved plan, (2) keeping mortgages current under plan, and (3) carrying out foreclosures in a timely manner. A regular reporting system could be set up under which field office staff will report their progress in achieving these goals, report problems they are having in achieving these goals, staffing needs, etc.

Step Planned	Timetable
Set up system for monitoring debt collection effort	First Quarter - FY 1982

Problem 4 - Multifamily Mortgage Servicing System (MMSS) not yet operational.

Another major factor hindering the monitoring of the debts is the difficulty in providing and substantiating accurate billing and collection records. MMSS still is not operational. It will be the Department's primary tool in monitoring debt collection and for promoting a more aggressive servicing of HUD-held mortgages. The following step is recommended to improve the current delinquency of the debts:

Step Planned	Timetable
Implement an automated billing and collection system to provide timely and accurate information on the mortgage accounts to the mortgagors by the 20th of each month.	July 1981

Problem 5 - The need for a financial information system.

Housing personnel have an ongoing need for financial information for use in performing financial analyses necessary to improve management of the insurance funds. It is essential to have ad hoc inquiry capability when HUD is acting as mortgagee or owns the property. The design of HUDMIAS, which will be our accounting system, does not have this capability. While it will prvoide much of the information needed to monitor debt collection, it cannot be used effectively for management. Housing has proposed that the financial data in MIAS be made available to MIDLIS which does have inquiry capability.

PART II - STATISTICS
PAGE 1.
NOTE: All figures are as of December 31, 1981 since the records are manually maintained.

MONIES OWED H.U.D.

as of
March 31, 1981

* Represents accounts which have been in default for sixty days and not under a reinstatement plan or those accounts delinquent under a reinstatement plan.

Category of Debt: Multifamily Mortgage — Notes		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	20	$4,010.3	4*	$173	20%	4%
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	20	$4,010.3	4*	$173	20%	4%

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt: Multifamily Mortgage Notes	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Dollar Balance Outstanding	$371,461,876	$787,748,841	$294,277,537	$376,015,734	$1,197,479,792	$341,199,221	$228,491,401	$47,878,235	$322,538,740	$43,281,358
B. Number of Accounts	132	262	178	216	557	226	107	36	190	67

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

	1	2	3
C. Field Office:	New York, New York	Detroit, Michigan	Los Angeles, California
D. Balance Outstanding: (in thousands)	$406,170,968	$391,280,642	$128,761,547

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

	1	2	3
E. Field Office:	Detroit, Michigan	Chicago, Illinois	New York, New York
F. Number of Accounts:	50	34	33

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Business

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

Robert Kalish, Director, Office of Multifamily Financing and Preservation, has responsibility for all HUD-held mortgages. The loan servicers in the field offices are responsible for developing reinstatement plans and recommendations for foreclosure.

Timothy Toomer, Chief , Multifamily Mortgage Branch, AFMI, is responsible for collection and billing information (extension 755-5237).

Contact Audrey Hinton, extension 56495, for any questions regarding the plan.

Resources/Assistance Needed

Training

Multifamily has analyzed the debt collection situation and determined that part of the problem is likely to be solved by providing field office staff with thorough training programs in the areas of financial analysis and workout arrangements. These programs should help field staff spot potential problems in a timely manner and to develop a payment plan with owners which will most likely succeed.

Travel

Travel funds also are needed to assist in our debt collection responsiblities. We would like to bring field office staff to Central Office to help in the preparation of a Financial Handbook for Owners (4370.2) and the Handbook for Independent Public Accountants (4371.1). Field office staff will also be instrumental in finalizing the Workout Workbook which is currently being developed by a consultant. In addition, travel for field staff would allow for periodic project inspections to verify maintenance and repair items revealed on financial statements.

Equipment

Field office staff utilize word processing equipment to aggressively pursue delinquent owners/managers with timely letters composed of standardized, but highly specific, items from the processor's library. This has been shown to dramatically reduce response time in several field offices. It would be wise to consider an enhancement package to our own existing field computer capability (HTN-II intelligent terminals) which could meet this and other related needs.

Estimated resources required for implementation and data purification of an automated collection and billing system are approximately 2,000 hours of overtime.

PART I

Section 202 - Housing for the Elderly and Handicapped

1. Program Description

These are long-term, low-interest rate, direct loans made by the Government to nonprofit borrower corporations formed to provide rental housing for elderly and handicapped persons. There are two principal groupings of these loans. In each case, HUD's interest is that of a mortgagee, exercising general control of project operations through a Regulatory Agreement. The largest group consists of 330 projects financed by loans from 3 to 5-5/8% interest. The second group consists of recently completed and pipeline projects at interest rates pegged to the higher recent costs of Treasury borrowing and having Section 8 secondary subsidy available to qualifying tenants.

2. Description of Delinquent Debt

Indebtedness to HUD is secured by a first mortgage interest in the projects. The debtors are nonprofit corporations with nonprofit sponsor entities. Delinquent debt is defined as the failure to make a required payment within 31 days of its due date. Payments to HUD are only for principal and interest on the loans. The highest incidences of delinquency are in Regions II (New York), III (Philadelphia), and V (Chicago).

3. Collection Procedures Analysis

The vast majority of mortgagors mail their amortization payments to the Program Accounting Division, Office of Finance and Accounting (OFA) in a timely and routine manner. When projects fall delinquent, billings are sent from OFA with copies to field offices through the Office of Financing and Preservation. Loan Management staff field office trips to projects and meetings with owners and operators are all means used to assure timely repayments of loans.

4. Major Problems and Issues

Problem 1

It would be helpful if Housing could use the tool of capitalizing delinquent interest to cure defaults on Section 202 mortgages. There is no statutory prohibition to it, but OFA and Budget have insisted in the past that this technique causes HUD to exceed its budget authority for 202 mortgages. Actually, it does not because funds are not expended; the transaction is a paper one, only. In view of the fact that nonprofits rarely have the extra funds to remit to bring a mortgage current, many mortgages could be cured immediately by adding the interest delinquency to the unpaid principal balance.

Problem 2

There is no automated accounting system for 202 loans though one is in the process of being planned. The function requirements documents are being prepared by the Procedures Staff of OFA. We would like to see the 202 accounting system automated and adapted to correspond more closely with the Multifamily Servicing Accounting System. In this way, borrowers will receive monthly bills and the bills will reflect the status of all accounts, workout terms, etc. This is important because monthly bills are essential tools for effective servicing of these loans. And, with the rapidly increasing portfolio of Section 202 loans, this system will be needed more than ever.

Steps Planned	Timetable
Multifamily to begin talks with OFA regarding design of automated system	Immediately

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Section 202, Elderly or Handicapped Fund		Number of Accounts	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	1,210	$2,448	204	$15	.17%	.0061%
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings	Not Available					
	Totals	1,210	$2,448	204	$15	.17%	.0061%

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981
In Millions

	Category of Debt: Section 202, Elderly or Handicapped Fund	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X	CENTRAL OFFICE
A.	Dollar Balance Outstanding	$142,820	$236,451	$221,587	$301,574	$412,830	$193,368	$99,006	$63,412	$246,142	$56,857	$473,3
B.	Number of Accounts	72	228	25	36	213	20	54	57	77	49	379

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office: 1 _____ 2 _____ 3 _____

D. Balance Outstanding: (in thousands) _____ _____ _____

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office: 1 _____ 2 _____ 3 _____

F. Number of Accounts: _____ _____ _____

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: _____

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

Robert Kalish, Director, Office of Multifamily Financing and Preservation, is in charge of programmatic concerns involving debt collection. His number is 755-5730.

Lyn Lloyd of OFA is responsible for managing debt collection in this area. His number is 724-0565.

Audrey Hinton should be contacted for questions regarding this plan. Her number is 755-6495.

Resources/Assistance

We may need the Task Force°s assistance in our efforts to automate the accounting system. The 1982 budget provides no development staff for ADP functions. This will severely affect development of the automated system which will be essential in the servicing of the 202 loans.

PART I

Delinquent Rents

1. Program Description

Delinquent rents are debts owed to HUD from current and former tenants in HUD-owned multifamily projects.

2. Description of Delinquent Debt

Any rent not paid in full by the fifth day of the month is considered delinquent except when contrary to local law. If the account is not paid in full by the twentieth day of the month, unless prior payment arrangements have been made, the tenant is to be served with a notice to vacate according to Handbook 4315.1 procedures. Legal action is required at this point to begin eviction proceedings. The debtors are private individuals.

The largest balances of uncollected rent exist in Detroit, Michigan; New York, New York; and Washington, D. C.

3. Collection Procedures Analysis

The project manager, hired by HUD, is required to make all reasonable efforts to collect unpaid rent, including amounts owed by former tenants. A collection agency may be used to locate and take action against former tenants. Amounts determined to be uncollectible are referred to the claims collection office which is responsible for the write-off of these debts.

The field office monitors rental delinquencies through review of the monthly accounting report submitted to HUD by project managers. The project manager also submits to the field office a report of collection progress on each delinquent account until the delinquency is cured or the debt is written off after Area Manager approval, or a compromise settlement is worked out. Additionally, a rental delinquency report is supplied quarterly by the Office of Finance and Accounting. This report is transmitted by the Office of Financing and Preservation to each Chief Property Officer through the Regional Offices for appropriate review and action.

4. Major Problems or Issues

Field Office staff are lax in referring uncollectible accounts to collection agencies. We plan to solve this problem by issuing a memorandum to staff advising them of the debt collection effort and reminding them of their responsibility to refer these cases to agencies for collection.

Another problem has been getting the Project Based Budget System in place. This system will put out a report if rental delinquencies in any project increase by five percent a month for two consecutive months. The contract for the software was delayed in the new Administration's freeze on contracting.

Steps Planned	Time Table
a. Issue Memo to Field Offices	Fourth Quarter FY 1981
b. Projected Based Budget System	First Quarter FY 1982

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NOTE: Delinquent rents are accumulated by the management brokers combining former and present tenants. Statistics are not presently being maintained to provide individual accounts or historical collection activity.

Category of Debt: Multifamily Rental Delinquencies - HUD-Owned Properties		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	Not Available	Not Available	Not Available	$3.6	Not Available	Not Available
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	Not Available	Not Available	Not Available	$3.6	Not Available	Not Available

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PAGE 2.

*Since individual account statistics are not presently maintained, the delinquent amounts have been used for reporting purposes.

GEOGRAPHY OF HUD's DEBT*

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Category of Debt: Multifamily Rental Delinquencies - HUD-Owned Properties	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Dollar Balance Outstanding *	$327,864	$658,889	$441,350	$48,107	$1,818,353	$194,256	$36,076	$8,225	$119,386	
B. Number of Accounts	Not Available									

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office:	1 Detroit, Michigan	2 New York, New York	3Washington, D. C.
D. Balance Outstanding:* (in thousands)	$898.3	$430.1	$332.3

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office:	1 Detroit, Michigan	2 New York, New York	3 Washington, D. C.
F. Number of Accounts:	Not Available	Not Available	Not Available

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Consumer

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

Timothy Toomer, Chief, Multifamily Mortgage Branch, AFMI, is responsible for collection of rental delinquency data from the monthly accounting report submitted by the management brokers. His telephone number is 755-5237. The field office is responsible for the collection of all rental delinquencies.

Call Audrey Hinton, extenstion 56495, for any questions concerning this plan.

Resources/Assistance Needed

To support field office activity, additional reporting requirements should be placed on the management broker in providing historical collection activity. This would require an amendment to the management contract and an increase in management fees. If these obstacles were removed, OFA would require approximately 3 man years to accumulate and report detailed rental delinquency activity.

We also need the Task Force's influences in keeping the project Based Budget System on line.

PART I

Sales Receivables

1. Program Description

Multifamily Sales receivables are those amounts owed to HUD by a purchaser of a HUD-owned multifamily project. At the time of the sale closing, certain amounts owed by the buyer are unknown. These amounts include a prorated share of the rents, prepaid real estate taxes, utilities, and other operating expenses. The sale is consumated subject to the purchaser reimbursing HUD when a final accounting has been been made and the amounts are known. This debt accumulates only with cash sales since amounts owed HUD can be deducted from the mortgage payments on Purchase money mortgage sales.

2. Description of Delinquent Debt Generated Under the Program

A delinquent debt is the unpaid amount resulting from the preparation of the final settlement statement. Generally, the amounts are known within sixty (60) days from the closing of the sale and the purchaser is given thirty (30) days in which to remit the amount due. The debtors are taxable businesses, i.e., partnerships and corporations, involved in real estate transactions, and public housing authorities. At present the New York, New York; Detroit, Michigan; and Newark, New Jersey areas have the largest number of debts owed to the Department.

3. Collection Procedures Analysis

Current procedures require the issuance of the final settlement statement reflecting the amount due the Department within sixty (60) days of the closing of the sale. If the remittance is not received within thirty (30) days, the individual cases are referred to the Claims Collection Officer for review and further action. When appropriate, a purchaser may be identified to the participation and the Compliance Section for possible sanction.

4. Major Problems or Issues in Collection of Debts

The major contributing factor to the outstanding debts has been the difficulty in estimating and substantiating the expenses for rents, taxes, etc. to be included in the closing of the sale of a property. The tasks required to furnish these amounts are performed manually. Some amounts are obtained from the monthly accounting reports furnished by the management brokers; resources are extremely limited and no automated data base presently exists which would provide timely transmittal of data to the Area/Service Office for the closing of the sale.

The following procedures have been developed to keep the sales receivables to a minimum. Field offices will telephone OFA prior to sales closing and OFA will supply an estimate of receivables at that time. The field office will also check with the project manager on receivables and payables. The Office of General Counsel has agreed that the field office Counsel, who is responsible for sales closing, will use this information to establish an escrow amount which the purchaser will fund at closing, in an amount to cover the receivables.

The following steps are recommended to improve the collection of the debts, assuming resources are available:

	Steps Planned	Timetable
a.	Implement the procedure to establish sufficient escrows to cover any expenses which must be prorated after the closing of the sale.	July 30, 1981
b.	Review debtors and refer delinquent purchasers to the participation and compliance section for possible sanction and begin repossession proceedings to reclaim the property.	September 30, 1981
c.	Refer cases to Collection Agency.	Fiscal Year 1982

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MONIES OWED H.U.D.

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Category of Debt: Sales of HUD-Owned Multifamily Properties		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	.5	$.5	.5	$.5	100%	100%
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	.5	$.5	.5	$.5	100%	100%

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GEOGRAPHY OF HUD's DEBT *

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*Since amounts are due when the closing of the sale takes place, the total account is delinquent after thirty days.

Category of Debt: Sales of HUD-Owned Multifamily Properties	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Dollar Balance Outstanding	$32,464	$186,769	$48,443	$11,305	$145,344	$29,142	$2,569		$49,718	$852
B. Number of Accounts	58									

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

	1	2	3
C. Field Office:	New York, New York	Detroit, Michigan	Newark, New Jersey
D. Balance Outstanding:* (in thousands)	$123,437	$111,308	$63,332

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

	1	2	3
E. Field Office:	New York, New York	Detroit, Michigan	Newark, New Jersey
F. Number of Accounts:	9	7	5

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Business and Public/Non-Profit

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

Timothy Toomer, Chief, Multifamily Mortgage Branch, AFMI, is responsible for providing details of the amounts due in this area. His telephone number is 755-5237. Individual Claims Collection Officers are responsible for actively pursuing and collecting these items.

Contact Audrey Hinton on 755-6495 for any questions concerning this plan.

Resources/Assistance Needed

Estimated resources needed to provide timely and accurate amounts for escrowing at the sales closing for expenses and the issuance of the settlement statements within sixty (60) days of the closing is 5 man years. These resources can also provide timely follow-up with Field Offices.

PART I

Section 106(b) Loans

1. Program Description

Section 106(b) of the National Housing Act provides assistance in planning a low- and moderate-income housing project. This is a non-insured loan to cover such costs as legal fees, consultant fees, architect fees, preliminary site engineering fees, land and FHA application fees.

2. Description of Delinquent Debt

If a payment is due on the first day of the month and is not paid, on the second day of the month the loan is delinquent. Delinquent loan payments are the only type debts that arise in the program. The debtors are generally private, nonprofit entities.

The uncollected 106(b) loans by Region are as follows:

Region	Number of Loans
I	3
II	12
III	3
IV	1
V	4
VI	1
VII	1
VIII	0
IX	9
X	0
Total	34

3. Collection Procedures Analysis

The Claims Collection Officer writes letters to the borrower and then to the local HUD office and has field office staff make on-site visits to determine whether the loan can be collected. If the loan cannot be collected, field office staff advise the Claims Collection Officer who then refers the loan to the Departmental Claims Collection Committee. The Committee has the authority to write off uncollectible loans.

4. Major Problems or Issues

These borrowers are nonprofit entities and many are now defunct. Only the local office can contact the group to determine whether they have any assets that can be attached.

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MONIES OWED H.U.D.

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Category of Debt: Loans Receivable / Non-Profit Sponsor Assistance Fund		Number of Accounts	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	166	$1.5	37 1/	$.7 1/	22%	46%
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	166	$1.5	37 1/	$.7 1/	22%	46%

1/ Figures taken from the Claims Collection Report of March 31, 1981

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GEOGRAPHY OF HUD's DEBT

as of
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Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
_____										
_____	Central Office Program - accounts not maintained by Region									

A. Dollar Balance Outstanding

B. Number of Accounts

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office:	1 Washington, D.C.	2 Honolulu	3 St. Louis
D. Balance Outstanding: (in thousands)	139	107	98

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office:	1	2	3
F. Number of Accounts:			

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: _____

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

Calvin E. Lindo is the Claims Collection Officer. His extension is 755-7221.

Contact Audrey Hinton, extension 56495, for questions.

Resources/Assistance Needed

The duties of the Claim Collection Officer are merged into the duties of a Realty Specialist in the Preservation and Sales Division. He gives the larger portion of his time to his duties as a Realty Specialist. The former Claims Collection Officer was transferred to the Department of Education along with his College Housing duties. In order to do a more thorough job of pursuing these delinquent debts, we need a full-time Claims Collection Officer.

PART I

Section 207 - Appalachian Housing Assistance

1. Program Description

The Appalachian Regional Development Act of 1965 inaugurated a program of Federal/state action to assist in the expansion of employment opportunities and to improve living conditions for the people of the Appalachian Region. Additionally, the Act provides for new highways, better health facilities and services, better housing, vocational education, land conservation, pollution control, better utilization of timber and water resources, and the development of recreation resources.

2. Description of Delinquent Debt

A debt is delinquent the day after the payment is due and no payment has been received. Delinquent housing assistance loans are the only type of debts that arise in the program. The debtors in this program are generally taxable business and non-profit corporations.

The following is a Regional breakdown of uncollected 207 Appalachian Assistance Loans:

Region	No. of Loans
I	0
II	1
III	8
IV	1
V	2
VI	0
VII	0
VIII	0
IX	0
X	0
Total	12

3. Collection Procedures Analysis

The current procedure consists of the Claims Collection Officer writing to the original sponsor or its agent or having the local HUD office contact the sponsor to determine if the debt can be collected. If it cannot, field office staff advise the Claims Collection Officer who refers the case to the Departmental Collection Committee for write-off.

4. Major Problem or Issues

The major problem is that most of the original sponsors are now defunct so contacting them poses a major problem. Secondly, these groups usually do not have any assets which can be attached. Thirdly, the duties of the Claims Collection Officer are combined with the duties of the Realty Specialist, leaving little time for the collection effort.

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Applachian Housing

MONIES OWED H.U.D.

as of
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Summary of Program, Category or Debt	Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A. Debt to HUD	10	$238,102	9	$228,899	90%	96%
B. Other Claims (Please explain)						
C. Sustained Audit Findings						
Totals						

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GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
Identification of Program, Category or Debt										
Dollar Balance Outstanding	0	$19,250	$95,626	$46,606	$76,620					
Area Offices with Largest Delinquent Balances										
Number of Accounts		1	3	3	3					
Area Offices with Largest Number of Delinquent Accounts					All 3 are in the Ohio Columbus Area Office					
Type of Debtor Most Frequently Involved with this type of Debt to HUD: [Consumer] [Business] [Public or Non-profit]										

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

Calvin E. Lindo, extension 755-7221, IS THE Claims Collection Officer.

Contact Audrey Hinton, extension 755-6495, for questions concerning this plan.

Resources/Assistance Needed

The Realty Specialist in the Preservation and Sales Division is also the Claims Collection Officer. He must divide his time between these two functions. Necessity requires that the bulk of his time be devoted to the duties of a Realty Specialist. We need to hire a full-time CCO.

PART I

SECTION 8 AND RENT SUPPLEMENT

1. Program Description

In each of these programs, HUD contracts with the owner of a multifamily housing development to pay a portion of the rent on behalf of eligible tenants. The tenants pay a percentage of their monthly incomes as the balance of the full monthly rentals. The owner bills HUD monthly for HUD's portion of the rent. Tenants must have their incomes reevaluated periodically in order to adjust their rent and the HUD portion.

2. Description of Delinquent Debt Generated Under Program

A delinquent debt under these programs is an overpayment of HUD's portion of the rent to the owner which the owner has not paid back to HUD. The most frequent causes of delinquencies are (1) miscalculations by the owner of income and rent and (2) owner billings for tenants whose incomes have not been reevaluated timely.

The debtors are both non-profit and profit-motivated private owners.

Debts are highest where there is the highest program activity and a corresponding paucity of HUD review staff. Examples are New York, Boston, Philadelphia, Chicago, Los Angeles and Detroit.

Another form of delinquent debt is fraud by the tenant. This occurs when a tenant intentionally misrepresents his/her income to the owner and, as a result, pays a lesser rent.

3. Collection Procedures Analysis

Once overpayments are discovered, the owner is instructed by the field office to adjust the monthly billings accordingly. If the owner does not, the field office may instruct RAD or OFA to withhold payments on monthly billings until the debt is erased.

Overpayments due to tenant fraud are repaid to HUD in the same manner. However, the owner is left with the responsibility of collecting from the tenant.

4. Problems and Issues

The problem is how to reduce and eventually eliminate HUD overpayment of subsidies.

There are several approaches to solving this problem.

(a) We should continue with the development and implementation of the Certification/Recertification Voucher System (CRVS). This automated system will generate its own vouchers. It also will be able to identify vouchers for tenants who have not been properly certified or recertified and, thus, will assure accurate payments to owners. It also will assist in the timely recertification of tenants.

(b) Third Party Servicing will allow Housing to contract out certain loan servicing functions such as occupancy reviews, processing of subsidy vouchers, and review of tenant certifications. Doing will lighten the workload of field office staff who will then be able to do a more accurate review.

(c) Fee attorneys could be hired to assist HUD field office staff in collection of overpayments when other tactics for collection fail.

(d) Publication of Occupancy Handbook and training of field office staff. Among other things, the training and handbook will give servicers instruction in reviewing owners' monthly subsidy vouchers and tenants' certifications and recertifications to ensure that only eligible tenants receive subsidies.

	Steps Planned	Timetable
a.	Implement CRVS	Fourth Quarter - FY 1982
b.	Third Party Servicing	First Quarter - FY 1982
c.	Fee Attorneys	--
d.	Occupancy Training	First, Second & Third Quarters - FY 1982
	Publish Occupancy Handbook	June 1981

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MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Rent Supplement Overpayments		Number of Accounts	Approximate Dollar Balance Outstanding	Number of Accounts Delinquent	Approximate Dollar Balance Delinquent	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	19	$22,967.23	19	$22,967.23	100%	100%
B.	Other Claims (Please explain)		--				
C.	Sustained Audit Findings						
	Totals	19	$22,967.23	19	$22,967.23	100%	100%

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GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
Rent Supplement										
Overpayments										

A. Dollar Balance Outstanding — Not Available

B. Number of Accounts

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office: 1 _____ 2 _____ 3 _____

D. Balance Outstanding: (in thousands) _____ _____ _____

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office: 1 _____ 2 _____ 3 _____

F. Number of Accounts: _____ _____ _____

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Individuals who were overpaid

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MONIES OWED H.U.D.

as of
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Category of Debt: Section 8 Accounts Receivable		Number of Accounts	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	185	11.9	41	1.7	22%	14%
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	185	11.9	41	1.7	22%	14%

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PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

	Category of Debt: Section 8 Accounts Receivable	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A.	Dollar Balance Outstanding	-0-	3,864,429	222,702	1,724,924	4,399,962	625,866	323	-0-	1,076,693	-0-
B.	Number of Accounts	-0-	54	3	66	27	23	1	-0-	11	-0-

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C.	Field Office:	1 V	2 II	3 IV
D.	Balance Outstanding: (in thousands)	4,400	3,864	1,725

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E.	Field Office:	1 II	2 V	3 VI
F.	Number of Accounts:	15	15	6

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Public/Non-profit

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

Lyn Lloyd, Director, Financial Analysis and Investment Division in OFA, is responsible for collection of this debt. His number is 724-0565.

Conrad Egan, Deputy Director, Office of Multifamily Management and Occupancy, is responsible for programmatic concerns. His number is 755-5756.

Contact Audrey Hinton for questions pertaining to this plan. Her number is 755-6495.

Assistance/Resources

Assistance

The Debt Collection Task Force can assist us in keeping in place the funds for the development of the CRVS system. The FRD is now in clearance.

Resources

Multifamily has determined that a portion of this problem can be solved by providing field office staff with occupancy training related to issuance of the new handbook. This training will help staff spot errors and misrepresentations and, thereby, prevent some of the overpayments. Hopefully, funds will be made available for this training.

PART I - NARRATIVE

Excess Income - Section 236 Program

1. Program Description

The provisions of the National Housing Act require that all participants in the Section 236 Rental Housing Assistance Program report monthly all rental income in excess of basic rent, if any, and remit the excess to the Secretary. In some instances, the mortgagors fail to remit the amounts due under this program.

2. Description of Delinquent Debt Generated Under the Program

A delinquent debt is any amount due from the monthly computations of excess rental income which is not remitted to the Department. The debtors are generally taxable business and in some instances non-profit organizations. At the present, balances due the Department are not maintained by geographic regions due to the limitation of a manual system.

3. Collection Procedures Analysis

Current procedures require the issuance of individual notices to participants thirty (30) days after a report is due. When appropriate, the interest reduction contract, which provides for payment from the Department to reduce the interest payment, is terminated.

4. Major Problems or Issues in Collection of Debts

The major problem which exists in the monitoring and collection of excess rental income due the Department has been the lack of an automated system and resources needed to properly manage reporting requirements. Currently this task is performed manually; resources are extremely limited and the automated data base has not been fully developed. The following steps are being taken to improve the current status of the accounts:

	Steps Planned	Timetable
a.	Development of a paperwork management system to sort and list by project all reports received under the Section 236 Rental Housing Assistance Program.	July 1981
b.	Review of the paperwork management system listings, research of exceptions and the cleanup of data base transactions.	October 1981
c.	Implementation of the automated Multifamily Excess Rental Income System is to begin monitoring the receipt of the monthly reports and the amounts due if any; provide listings of delinquent participants and historical reporting activity for resolving outstanding delinquencies.	November 30, 1981
d.	Provide quarterly reports of participants not complying with reporting requirements of the Section 236 Rental Assistance Housing Program to the appropriate Area/Service Office.	December 30, 1981

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MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Excess Income / Section 236 Program		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	60	NOT AVAILABLE				
B.	Other Claims (Please explain)		*System development is in process to manage and report amounts which may be due the Department.				
C.	Sustained Audit Findings						
	Totals	60					

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GEOGRAPHY OF HUD's DEBT

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Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
Excess Income										
Section 236 Program										

A. Dollar Balance Outstanding — NOT AVAILABLE

B. Number of Accounts

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

	1	2	3
C. Field Office:			
D. Balance Outstanding: (in thousands)			

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

	1	2	3
E. Field Office:			
F. Number of Accounts:			

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Business

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

Timothy Toomer, Chief, Multifamily Mortgage Branch, AFMI, is responsible for managing the debt collection in this area (telephone 755-5237).

Resources/Assistance Needed

Estimated workload for reviewing listings containing approximately 300,000 transactions, the verification of amounts remitted, and the initiation of letters and other appropriate action to resolve discrepancies in data base transactions will require 10 man years.

Establishment

Designation of field representatives to review at the Area/Service Office level reporting adherence by participants.

PART I - NARRATIVE

Multifamily Mortgage Insurance Premiums

1. Program Description

Under the provisions of the National Housing Act the Department insures mortgages in connection with multifamily housing projects. The regulations require that a premium is collected for the insurance on a yearly basis.

2. Description of Delinquent Debt Generated Under the Program

A delinquent debt is an unpaid premium over thirty (30) days old. The debt consists of premiums due and payable in accordance with the mortgage insurance contract. The debts are generally taxable businesses, i.e. mortgagees involved in mortgage banking activities. Balances are not maintained by geographic region since debt management is centralized. Collections are dependent on individual mortgage business practices which do not relate to demographic and/or geographic trends.

3. Collection Procedures Analysis

Current procedures require issuance of individual case reminder notices in 30, 60 and 90 day intervals. After ninety (90) days the delinquent debt is referred to the collection specialist for review and resolution. When appropriate a mortgagee may be identified to the Mortgagee Review Board for possible sanction.

4. Major Problems or Issues in Collection of Debts

The major contributing factor to the delinquency of the debts is the difficulty in establishing and sustaining an accurate, timely follow-up system. Currently, the tasks required are performed manually; resources are extremely limited; and no automated data base presently exists which would enhance collection monitoring capability. All of these problems are addressed in the system design of a new Mortgage Insurance Accounting System (MIAS) scheduled for implementation in October 1982. The following steps are recommended to improve the current delinquency of the debts, assuming resources are available:

Steps Planned	Timetable
a. Review debts and issue final demand notices (This is an addition to the routine reminders issued on 30, 60, and 90 day debts).	September 30, 1981
b. Review debts and refer delinquent mortgagees to the Mortgagee Review Board for sanction.	December 30, 1981

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Multifamily Mortgage Insurance Premiums		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	11	$7.6	1	$.9	9.9%	11.8%
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	11	$7.6	1	$.9	9.9%	11.8%

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
Multifamily Mortgage Insurance Premiums										

A. Dollar Balance Outstanding — NOT AVAILABLE-SYSTEMS ARE NOT DESIGNED TO ACCUMULATE DATA BY REGIONAL OR AREA OFFICES

B. Number of Accounts

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

	1	2	3
C. Field Office:			
D. Balance Outstanding: (in thousands)			

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

	1	2	3
E. Field Office:			
F. Number of Accounts:			

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Business

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

Timothy Toomer, Chief, Multifamily Mortgage Branch, AFMI, is responsible for managing the debt collection in this area (Telephone 755-5237).

Resources/Assistance Needed

Estimated workload for review process will involve initiating approximately 200 final demand letters with as many as 100 cases requiring further referral action. Resources required for completing the planned steps are approximately 200 hours of overtime which includes review, research, and administrative tasks.

Establishment

Designation of a specific Claims Collection Officer to review the debts referred from this program would improve the review/write-off procedures.

PART I

SECTION 236 INTEREST REDUCTION PAYMENTS

1. Program Description

Section 236 is an insured mortgage program designed to provide housing for low- and moderate-income families. The low rents are made possible by HUD's subsidizing the interest payments on the mortgage down to an effective one percent.

2. Description of Delinquent Debt

Delinquent debt occurs when HUD makes an overpayment of interest reduction payments to the mortgagee. This happens when the mortgagee makes a mistake on its monthly bills to HUD for payments and HUD personnel do not catch the error. There also have been instances of fraud on the part of the mortgagees.

All of the debtors are mortgagees.

Regions II, III, an IX have the most number of accounts delinquent.

3. Collection Analysis Procedure

When OFA staff realize that an overpayment has been made, they deduct the overpayment from the mortgagee's next month's bill for subsidy payment. In those cases of fraud or intentional misrepresentation on the part of the mortgagee, HUD has gone to court to recover the overpayments.

4. Major Problems or Issues

There is no set system for handling repayment of subsidy funds. Sometimes the mortgagee, rather than waiting to have the error corrected on the next month's bill, remits a check for the overpayment. Sometimes there is no indication on these checks as to which account they should be applied. Other times they are lost or sent to the wrong office, etc.

The Office responsible for handling these accounts has not thought of a solution to this problem primarily because (1) there are so few delinquent accounts and (2) this problem occurs very infrequently.

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Section 236 Interest Reduction Overpayments		Number of Accounts	Approximate Dollar Balance Outstanding	Number of Accounts Delinquent	Approximate Dollar Balance Delinquent	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	9	$282,305	9	$282,305	100%	100%
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	9	$282,305	9	$282,305	100%	100%

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt: Section 236 Interest Reduction Overpayments	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Dollar Balance Outstanding		$125,687.13	$2,807.60	$2,149.45	-0-	-0-	$4,155.82	$4,564.86	$142,940.37	-0-
B. Number of Accounts		2	2	1			1	1	2	

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office:	1	2	3
D. Balance Outstanding: (In Thousands)			

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office:	1 Los Angeles	2 Albany, N.Y.	3 Buffalo, N.Y.
F. Number of Accounts:	2	1	

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Non-Profit

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

Lyn Lloyd of OFA is responsible for managing collection of this debt. His number is 724-0565.

Call Audrey Hinton, extension 56495, for questions concerning this plan.

Resources/Assistance Needed

No assistance or resources are needed. There are very few problems in this area and the delinquency is generally wiped out the following month.

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SINGLE FAMILY HOUSING AND MORTGAGEE ACTIVITIES

DEBT COLLECTION PLANS

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SINGLE FAMILY

The following should be noted:

- OFA is attempting a reconciliation of a $25 million difference in the Title I delinquency figure between its records and that reported by the field offices. We are reporting $115 million.

- An accurate figure on delinquencies under forebearance agreements on HUD-held mortgages is not available from OFA.

- The deficiency judgment report and plan is very preliminary and represents only the steps necessary to begin to develop an adequate report and plan.

Also, SFH&MA does not concur with inclusion of OFA's submission of "Tax Receivables" as a debt to be included in Single Family Property Disposition's Debt Reduction efforts for the following reasons:

1. The taxes have been paid but OFA books have not yet been reconciled. This is not a debt. There is no money to be collected; just OFA books to be balanced.

2. In actual practice, sales are not closed and title transferred, until the HUD Form 1, Closing Statement, has been reviewed and certified as to the accurate disbursement of all monies involved, including taxes owed HUD by purchasers on a proration basis.

SECRETARY-HELD HOME MORTGAGES

1. Program Description

The Secretary-held portfolio is composed of mortgages held by the Department as one to four single family dwellings under various Sections of the National Housing Act. The Department has acquired the Secretary-held inventory as the result of both purchase money mortgages given in the sale of its acquired properties and assigned mortgages in default pursuant to Sections 203.350 and 203.650 of Title 24, Code of Federal Regulations. The assigned mortgages make up the major portion of the Secretary-held portfolio and for the most part represent accounts seriously delinquent. The servicing of these accounts revolve around the mortgagors performance under forbearance agreements. Mortgages in default (assigned or purchase money mortgages) are expected to be paid by the maturity date extended, if necessary, up to ten years. Servicing activities are intended to provide the maximum possible assistance to delinquent mortgagors while requiring basic adherence to the terms of the original mortgage debt and permit debt-free home ownership. The Area Managers and Service Supervisors are responsible for the debt collections on these accounts.

2. Description of Delinquent Debt Generated Under Program

Payments on Secretary-held mortgages are always due on the first day of the month. An account is considered delinquent anytime a payment due under the mortgage or a forbearance agreement is not paid. An account that is 90 days or more past due is considered seriously delinquent and is a potential foreclosure. The range of agreements encompass total suspension of payments, reduced payments for a limited period of time and or a full mortgage payment plus an additional amount toward the delinquency. Mortgagors failure to keep the terms of forbearance agreements cause the debts to remain outstanding and represent a potential loss to the Department. All debts due on single family Secretary-held mortgages are owed by the public.

We are unable to provide any monetary information with respect to the Areas/Regions that have the highest balances of debts owed under forbearance agreements. However, listed below are the Areas/Regions with the highest number of defaults 90 days or more under forbearance agreements that reflect assigned mortgages only:

Offices	Total Under Payment Plans	No. Defaults 90 Days or More*	Percentage
Detroit	1,951	836	42.9
Chicago	1,507	434	28.8
Cleveland	663	303	45.7
Regions			
Region V	6,184	2,130	34.4
Region II	2,433	779	32.0
Region IX	1,757	364	20.7

*We are unable to provide the types of agreements under this category. It has been observed through field office reviews that many offices are not entering into agreements requiring reduced payments but are taking a business attitude and requiring the full mortgage payment plus an additional amount.

3. Collection Procedures Analysis

The debts on Secretary-held mortgages are collected at the field office level. The responsibility for the collections is the Area Managers and Service Supervisors having jurisdiction over the areas in which the property is located. The field offices are dealing with a high percentage of mortgages taken into the portfolio in a delinquent state anywheres from three months to five months or more past due at the time of the assignment. Servicing on assigned mortgages begin with HUD entering into forbearance agreements. All forbearance agreements permitting reduced or suspended payments cannot be extended beyond 36 months from the date of assignment. Any form of extended relief after 36 months must be negotiated on the basis of requiring the total monthly payment required under the mortgage. Additionally any purchase money mortgage that becomes delinquent will be extended the same provisions of forbearance granted assigned mortgages. The 36 month maximum would commence from the date of initial agreement on the purchase money mortgage.

The total servicing of the accounts are based on the mortgagors performance on executed forbearance agreements unless the mortgagor is able to place the account current without benefit of forbearance. Collections are received in the field offices and transmitted to the Office of Finance and Accounting for application to the mortgage amount.

All collection techniques employed by field servicers involve prudent servicing activities as required by HUD approved mortgagees. Some techniques for contacting mortgagors delinquent under the mortgage or the forbearance agreements are:

a. Letters and prepared notices

b. Telephone contacts

c. Personal face to face contacts

Under the Ferrell stipulation of November 8, 1979, the Department agreed to restructure repayment agreements on all assigned mortgages under certain situations:

a. Before any action has been taken by reason of mortgagor default;

b. When the terms of such a plan expire;

c. When a plan is in default for three months or longer; and,

d. When a mortgagor so requests for good cause.

To comply with the above, the field offices are required to obtain financial information and determine whether or not the forbearance agreements were realistic based on current circumstances on both purchase money and assigned mortgages.

Area Managers and Service Supervisors must make every effort to restore mortgages to go standing either under the mortgage or under a forbearance agreement as appropriate. By the 120th day of delinquency, the field office should have:

a. Secured a payment or payments from the mortgagor to bring the account current under the mortgage or under a forbearance agreement;

b. Entered into a new forbearance agreement when warranted by the circumstances;

c. Accepted a deed in lieu of foreclosure or initiated the necessary action to do so; or,

d. Recommended foreclosure.

The nature of the assignment program is such that a delinquent mortgage accepted under the program is not required to be placed current at a particular period but rather that the mortgage be paid in full by its original maturity date extended, if necessary, by up to ten years. This provides wide latitude for the Area Managers and Service Supervisors to negotiate agreements consistent with the mortgagors financial ability to pay. It is the policy of the Department that the mortgagor who both can and will make his payments be given every consideration. On the other hand, the mortgagor who either cannot or will not pay should be considered for foreclosure of the mortgage.

4. Major Problems or Issues in Collection of Debt

Problem No. 1

As a result of the expanded assignment program which was instituted in May 1976, a high volume of mortgages have been accepted in the Department. Due to the large volume of requests from mortgagors, mortgagees and the demands placed on the Department from the Legal Assistance Foundation, field office servicing staff was inundated with assignments. Consequently, the Department accepted an enormous number of assignments which has steadily increased monthly from 214 commencing May 1976 to 474 as of March 1981.

Field offices neither had adequate staff to process the assignments nor to properly service the accounts. An EMR goal was established requiring field offices to reduce the processing time from 120 to 90 days. Due to the pressures indicated above that were placed on the single family servicing staff, many mortgages were accepted that were barely eligible under the criteria of the assignment program. The emphasis of processing assignments timely as an EMR goal, seriously affected staff being dedicated to servicing the accounts. It was simply a case of meeting the goal and sacrificing the additional responsibility of insisting that homeowners honor agreements.

Although the high default rate can be attributed, partially, to the lack of a concerted effort on the part of field staff to effectively service the accounts, defaults also resulted to a large extent from the fact that the initial decision to accept the assignment was not always sound and the mortgagor could not meet even a reasonable agreement. It can be concluded that outstanding instructions with respect to establishing eligibility for assignment are being misinterpreted by field office servicing staff. Even with providing mortgagors additional relief through some type of forbearance, many mortgagors either do not have the continued financial capability to perform under an agreement or refuse to accept the responsibility associated with homeownership.

Steps Planned	Timetable
a. To reemphasize to field office servicing staff through training sessions, defining the criteria which must be met before an assignment is accepted.	a. A Basic Single Family Mortgage Servicing Training Course will be held in early FY '82 and an advanced course will be held shortly afterwards.
b. The Administration of Secretary-held Home Mortgages Handbook is being revised. Training sessions will be held on the new Handbook.	b. The Handbook will be ready for Departmental clearance on June 30, 1981. It is anticipated that any nonconcurrences will be resolved and the Handbook will be ready for publication by November 1981. The training sessions will commence after publication.
c. An EMR goal has been established for servicing staff to take effective action on mortgages or forbearance agreements 90 days delinquent.	c. Complete reporting from field offices is expected the first week in June to cover May's activity.

Problem No. 2

The Office of Finance and Accounting (OFA) is responsible for the application of all monies received on Secretary-held mortgages. All monies deposited are credited in accordance with the terms of the mortgage. The field offices are dependent on OFA to provide fiscal data in order to be responsive to mortgagors request for information as well as tracking the progress made (by the mortgagor) to reduce the delinquency outstanding. OFA is charged with billing the accounts annually, accounting for escrow advances, preparing pay-off statements, assumptions and statement of accounts for foreclosure actions and providing each field office with a monthly delinquency listing.

Although the Secretary-held portfolio has been automated by OFA since 1961, the ability to produce accurate and timely information to support the servicing activities of the field offices has been less than satisfactory. To alleviate delays experienced by the field offices in their collection activity, the responsibility to collect the monthly payments was transferred to the field in 1978. In 1980, the payment of taxes was also transferred from OFA to the field. Despite these two new tools to reduce the time and delays previously experienced in having immediate information available in dealing with the mortgagors, the remaining fiscal responsibilities of OFA to provide mortgage information has been less than satisfactory. As an example, the field offices collect and deposit monies received from homeowners and notify OFA via Schedules of Collection. Credits to mortgagors accounts are not timely entered into the ADP system resulting in the field offices unable to safely discuss the status of a mortgagor's account. Even the monthly delinquency report issued by OFA is not considered reliable by the field offices. It has appeared over the years, that the Secretary-held portfolio has been considered an extremely low priority in the Department in expediting information through the ADP system. In addition, an automated system is only as good as it has been programmed and data entrances submitted by people. As previously stated the Secretary-held mortgages were automated around 1961 and no major overhall to streamline the system or update to meet new programs such as the Section 235 subsidy program and the Section 245 Graduated Payments Mortgage has been instituted.

The field offices have been hampered into carrying out their servicing function because of the inadequacy of OFA to properly support them.

Steps Planned	Timetable
An RFP (Requirements for Proposal) is in the process of being developed to present to companies interested in providing HUD accounting information and limited servicing functions. The system utilized by the service bureau selected will be interfaced with the HUD-MIAS system.	Implementation of this service is scheduled for the early part of the 1982 fiscal year.

Problem No. 3

Since the acceleration of the assignment program adequate staff to service the accounts and reduce the debts to HUD has been a continuing problem. Using Region III as an example, the OPLAN provides one staff year for every 209 Secretary-held mortgages to be serviced. Region III is servicing 1800 mortgages. The mortgages in the portfolio require intensive servicing and collection activities as opposed to the cases held by a HUD approved mortgagee that are current and require only routine servicing activity. Additionally, the emphasis in field offices has not been on single family servicing and the Area Manager or Service

Supervisor has the authority to reallocate staff to meet emergencies or other contingencies. The grade structure for single family employees over multi-family employees has impacted on good quality staff. Professional single family staff that are seasoned and knowledgeable in their area will accept other positions in the Department to further their career. Single family staff members are subject to turnover because of job opportunities. The burden of servicing the portfolio requires high caliber staff willing to be flexible and provide answers to mortgagors within the frame work of outstanding instructions. In order to get complete control over debt collections on the Secretary-held mortgages, it must be recognized that field staff must be increased to effectively service the accounts.

Steps Planned	Timetable
a. To apprise Regional Administrators of the importance of mortgage servicing, debt collection and the need to reallocate field office staff to perform the responsibilities required to adequately and effectively service accounts.	a. A memorandum to all Regional Administrators will be prepared by June 30, 1981.
b. The Offices of Housing, Finance and Accounting and ADP Systems Development are working together to obtain the services of a Commercial Service Bureau. The requirements to be met by the service bureau encompass various phases of servicing presently performed by field office servicing staff as well as some accounting functions presently performed by OFA.	b. The commercial service is expected to be operational in early Fiscal Year 1982 in those offices that have HTN2 equipment.

Problem No. 4

The foreclosure process within the Department is extremely cumbersome. Debt collections remain outstanding for inordinate periods of time despite the final decision of the Area Managers or Service Supervisors to recommend foreclosure actions against Secretary-held mortgages. Because the present procedures employed prior to triggering the legal action, the defaulting mortgagor enjoys free housing at HUD's expense. The process in place presently requires that all recommendations be pre-reviewed by the Office of Single Family Housing (OSFH). The purpose of this review is intended as a management tool to insure that field offices have complied with outstanding policies and procedures governing the servicing of the Secretary-held mortgages. Once the recommendation is approved it is forwarded to OFA for the preparation of a Statement of Account. This process can take from two to three weeks. The Statement and title file are then forwarded to the Office of General Counsel (OGC) for commencement of foreclosure. OGC must then send a letter of notification to the mortgagor

and hire an agent (such as a mortgage company) or attorney in the area in which the property is located. Preparing the account for the transfer to an appropriate agent or attorney takes from two to four weeks. An additional thirty days to respond to the foreclosure notification must be provided to those mortgagors where state law requires it. (Some five states require this 30 day notification.) Therefore, before a legal action is instituted by the Department a total of 2-1/2 to 3 months is lost just going through required procedure.

Steps Planned	Timetable
a. Eliminate pre-foreclosure review by Office of Single Family Housing.	a. By July 1, 1981.
b. Utilize a commercial service to prepare Statements of Account timely thus eliminating the need to send foreclosure recommendation to OFA.	b. Implementation of a commercial service is scheduled for the early part of the 1982 fiscal year in those offices that have HTN2 equipment.
c. Prepare a proposal to OGC to consider decentralizing their present control over the foreclosure procedure. Our suggestion would to be revert to Area Counsel for commencement of foreclosure.	c. July 1, 1981.

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Secretary-Held — Single Family Mortgages		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	19.369	54.0	17,051	52.6	88.0	97.4
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						

Totals

The total number of accounts, 19,369, are as reported on the monthly trial balance as of March 31, 1981. The number of delinquent accounts, 17,051, are those delinquent under the terms of the mortgage only, not taking into consideration those under a Forbearance Agreement, nor in a foreclosure pending status. The delinquent accounts differ from previously reported amounts due to the fact that they included second trusts under Perrell Litigation as delinquent and several other errors in the report.

PART II - STATISTICS
PAGE 2.

This page reflects Delinquent Accounts and Dollar Amounts Only

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt: Delinquent Single Family Mortgages	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Dollar Balance Outstanding	3.6	8.3	4.2	5.2	22.1	1.1	2.6	.6	4.1	.8
B. Number of Accounts	644	3258	1403	1926	6220	683	1229	171	1327	190

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

	1	2	3
C. Field Office:	Detroit	Chicago	Cleveland
D. Balance Outstanding: (in thousands)	$7,285,155	6,092,097	3,671,939

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

	1	2	3
E. Field Office:	Detroit	New York	Chicago
F. Number of Accounts:	1938	1650	1440

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Public

In Item A - Dollar balance outstanding we can only give the distribution of the approximate dollar balance delinquent ($52.6). It does not include the total balance outstanding ($54.0). The financial reports only list by field office the dollar amount delinquent on Report No. 6034CA.

Part III - Secretary-Held Single Family Mortgage Notes

The present Mortgage Note System does not produce reports with data set forth statistics as required on these reports. It is, therefore, a totally manual operation. To further breakdown the mortgages under forebearance agreements, foreclosure pending status and paid in full as listed on the reports it would require the utilization of staff members full time to manually review the 19,369 accounts

The HUDMIAS system does contain features that would provide this information.

Marlowe W. Tolbert
Director
HUD-Held Home Properties
and Mortgages Division

Part III - Responsible Officials and Resources Needed

Responsible Officials

Richard B. Buchheit, Director, Single Family Mortgage Servicing Division

Contact Person for Secretary-Held Debts:
Barbara J. Sanders, Chief, Secretary-Held Branch, ext. 67530 for plan
Marlowe W. Tolbert, Director, HUD-Held Home Properties and Mortgages Division, ext. 55154 for statistical information

Resources/Assistance Needed

Problem No. 1 - Assignment Program

If training funds could be made available in the very near future, we would propose several Regional training programs before our annual training sessions stated in the timetable. If the Debt Collection Task Force interceded to obtain funds for Regional training sessions, the necessity to alert field staff on tightening the processing of assignments and the servicing procedures to be employed in debt collections would benefit the Department in its efforts to reduce debts now.

The need in general would be:

1. Three staff members from Single Family Mortgage Servicing Division .

2. Travel Funds to Regions to conduct training.

3. Clerical Support to prepare training packets.

Problem No. 2 - Fiscal Data from OFA

To accomplish implementation of a Commercial Service to replace dependence on OFA for fiscal data, it is necessary that the matter be elevated to Secretary Pierce. If we are to effectively collect debts owed on Secretary-held mortgages, it is imperative that timely and accurate information is provided the Area Managers and Service Supervisors in order for them to discuss accounts with mortgagors intelligently. The Debt Collection Task Force could assist us by insisting it be given top priority in the Department at the Secretary's level in order to place dedicated resources to the letting of a contract and immediate implementation.

Although the basic RFP(Requirements for Proposal) is nearly completed without the support or help from the Debt Collection Task Force to elevate this matter to the level of Secretary Pierce, the field offices will have to depend on the Department's automatic data processing system which is outmoded and at present a low priority for Secretary-held mortgages.

At this time, it is impossible to determine the exact workload and resources needed. The real need for assistance will come once the contract is let. At that time, staff from the Office of Single Family Housing, Office of Finance and Accounting and ADP Systems Development will be required to travel to selected field offices with HTN2 capability and the commercial service site to set up the communication network between HUD and the contractor. Additionally, a handbook must be drafted and training offered to use the service.

The Office of Single Family Housing will need clerical support to prepare the handbook and training material. The clerical help will need typewriters with memory and access to reproduction equipment (ZEROX). The total cannot be estimated until the contract is let and an anlaysis made.

To summarize the need in general will be:

1. Travel funds

2. Training funds

3. Memory typewriters

4. Desks and chairs

5. Space

6. Zerox equipment

Problem No. 3 - Staffing

Central Office is aware of the need for field office staff but only in a general sense. The actual needs per office is not known. The track record of delinquent forbearance agreements and the pre-foreclosure review of servicing files clearly points out the need for professional and clerical help in the single family area to do a proper job reflective on the high standards HUD should have in dealing with the consumer-mortgagor.

To meet our timetable to contact the Regional Offices and get a clear picture of what staff is needed, we request the assistance of an administrative staff member that deals with staffing in the field to assist us in preparing the memorandum. More importantly, we need to have authority to require staff (professional and clerical) to be hired and exclusively used in single family mortgage servicing. If bodies are hired, it does no good if they are used outside the area of need.

Additional professional help may be needed if a survey is required to contact by telephone all field offices to obtain staff already doing servicing. We would estimate a need for three professionals to do the contacting and make the survey.

Problem No. 4 - Foreclosure Process

Although this area is in essence, intended to remove the debt collection mortgages to acquired HUD properties, the delays described in Problem No. 4 permit the debts to remain outstanding for an inordinate period of time. If the commercial services become a reality, we have eliminated time lost in preparing foreclosure figures. Our Step C may not prove successful unless the Debt Collection Task Force lends its full support in our attempts to decentralize the actual foreclosure procedures presently done by OGC in Central Office. We recognize that the actual foreclosure process is dependent on state law and in some jurisdictions it is lengthy but if Area Counsel were permitted to operate on the same arrangements presently used by OGC to expedite judicial foreclosures - even more time would be saved on the local level.

We would appreciate a member of the Debt Collection Task Force assigned to assist us in the negotiations with OGC.

PART I - THE NARRATIVE

SINGLE FAMILY
FHA MORTGAGE INSURANCE PREMIUMS & FEES

1. PROGRAM DESCRIPTION

The FHA mortgage insurance program for single family covers all one to four family housing units that are endorsed for insurance by the Federal Housing Commissioner which evolved from the 1934 Section 203 Program. The program is part of the National Housing Act supporting housing for low and moderate income families. Under this program, funds are loaned on mortgages by the private and public sector with FHA guaranteeing the the mortgage. At the present time the insurance covers over 4.8 million units valued at $89.3 billion.

(a) Premiums:

Mortgage insurance premiums are collected from the mortgagor monthly by the mortgagee and placed in escrow. Premiums on single family insured mortgages are payable to the Department on a deferred basis one year following insurance endorsements. Forty days in advance of the annual anniversary month due date, the mortgagee is billed by mail. Payments made after the 15th of the due date month are subject to a 4% late charge.

(b) Fees:

In the past single family mortgage insurance applications and commitments required payments of a processing fee. Mortgagees

were billed for fees on a monthly basis, however, the billing for single family fees terminated as of September 1980 billings. As of April 30, 1981 there were $275,560 in fee delinquencies of which $87,265 is owed by ten mortgagees who are either out of business or bankrupt. Extra effort is being made to collect from those mortgagees that are still doing business with the Department. Those mortgagees that are not doing business with HUD, out of business or bankrupt, steps are being initiated to refer these mortgagees to the Office of General Counsel for appropriate legal action to collect or write-off if deemed uncollectible. Since the amount outstanding should be resolved within this fiscal year, we do not plan to address this matter further.

2. DESCRIPTION OF DELINQUENT DEBT GENERATED UNDER PROGRAM

For the purpose of defining delinquent debt for single family mortgage insurance premiums, a payment not received from a mortgagee within 30-days after the due date or billing date whichever is later is considered to be delinquent.

The mortgage insurance premium for single family is the only debt being addressed.

The debtors are in most cases taxable businesses, however, in this program we deal with State and Local Housing Authorities and Federal National Mortgage Association and Government National Mortgage Association, who could be debtors from time to time.

Data is not available for determining delinquency by areas or regions.

3. COLLECTION PROCEDURES ANALYSIS

Billings are done automatically monthly with the mortgagees being furnished with individual case billings and a summary total billing. If by the 20th of each month after the due date the mortgagee has not submitted a payment, the system will automatically generate a past due notice stating that no payment was received. If payments are not received and a receivable not liquidated the system will generate a individual delinquent notice for each case and these are mailed approximately 45-days after the due date. The system will continue to generate delinquent notices each month thereafter until the billing is liquidated or cancelled. At the present time, with only two Collection Specialists, we are identifying and accelerating collection efforts on those mortgagees that have the largest and oldest delinquencies. Collection is done by telephone and by sending three demand letters to the mortgagees. If this fails, the matter is referred to the Office of Mortgagee Activities and Office of General Counsel for whatever action they deem appropriate. On those cases where we have expended all efforts, the delinquency is referred to the Claims Collection Officer for further collection efforts or write-off if under $400. Delinquent premiums over $400 not collected by CCO are referred to the Departmental Claims Collection Officer for appropriate action.

4. MAJOR PROBLEMS OR ISSUES IN COLLECTION OF DEBT

One of the main problems of collecting insurance premiums is the lack of incentive to the mortgagee to pay the premiums, since there is nothing in the Housing Act to allow the Department to cancel the insurance for failure to pay a premium. The only leverage we have at present is the 4% late charge, if not paid within 15-days from the due date or billing date, whichever is later. The interest rate at this time is around 15%, there is very little incentive to rush to pay onced a premium payment is overdue, since the late charge is a one time charge per billing. Insurance policies in the private sector have a 30 to 60 day termination provision for failure to make payments when due.

1. AMEND HOUSING ACT TO TERMINATE INSURANCE CONTRACT FOR NON-PAYMENT OF INSURANCE PREMIUMS

It is our recommendation to have the Housing Act amended to include a provision for the termination of insurance contract on single family mortgages for failure to pay premiums 120 days after the due date or billing date, whichever is later. A contract for insurance may be reinstated after cancellation for non-payment of premiums providing the mortgage is not in default and the 4% late charge and interest at the Treasury rate at time of payment from the due date or billing date to the time of reinstatement is paid together with the premium due.

STEPS PLANNED	TIME TABLE
a. AMEND HOUSING ACT	a. 09/30/81
b. NOTIFICATION LETTER TO MTGEES	b. 12/01/81
c. IMPLEMENTATION	c. 01/01/82

2. LACK OF RESOURCES FOR RECONCILEMENT AND DEBT COLLECTION

Another problem area is that payments are being remitted without proper identification or incomplete data. The funds end up in unapplied cash and cannot be allocated to individual mortgagee's billings until further information is obtained by telephone or by correspondence with the mortgagee. This requires time and manpower. At the present time, the unapplied cash is approximately $3.1 million for single family premiums. We have only two full time employees working in this area. In October 1979 unapplied cash was around $9.1 million and we had a staff of about 5 regular and 5 temporary employees plus a large amount of overtime was used and as stated above, it has been reduced to approximately $3.1 million.

It is our recommendation that there should be a full time staff of no less than 7 employees to reconcile and work unapplied cash. This would speed up the liquidation of the account receivable and aid the Collection Specialists in their efforts of Debt Collection. It is imperative that all unapplied cash over 30-days old be eliminated and kept at the under 30-days level at all times. With the accomplishment of a reduced unapplied cash to a normal level and an increase in staffing of 7 full time Collection Specialists to agressively accelerate debt collection of delinquent single family premiums and monitor for late payments and collect the 4% late charges due the Department, delinquency on single family should be reduced to an acceptable level.

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

RESPONSIBLE OFFICIAL

JOHN L. STAHL, DIRECTOR, BILLING AND RECEIVABLE DIVISION
MORTGAGE INSURANCE ACCOUNTING, OFFICE OF FINANCE AND
ACCOUNTING, ROOM 2254, TELEPHONE EXTENSION - 755-5244

RESOURCES/ASSISTANCE NEEDED

RECONCILEMENT AND LIQUIDATION OF UNAPPLIED CASH

Assistance is needed to increase our staffing by 14 full time employees as soon as possible. This is necessary to speed up the reconcilement and liquidation of unapplied cash and to review all mortgagees that are delinquent and agressively accelerate our debt collection to a point that no account should be over 90-days old. Also, we will need an increase of $42,000 in our 1982 Travel Budget in order to carryout our collection function.

AMEND HOUSING ACT TO TERMINATE INSURANCE CONTRACT FOR NON-PAYMENT OF INSURANCE PREMIUM

Assistance is needed to coordinate efforts and to elevate priority concerning the amendment of the Housing Act to terminate insurance contract for non-payment of single family insurance premiums.

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: SINGLE FAMILY MORTGAGE INSURANCE PREMIUMS	Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate * Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A. Debt to HUD	1963	$21.8	255	$2.1	13%	9.6%
B. Other Claims (Please explain)	-	-	-	-	-	-
C. Sustained Audit Findings	-	-	-	-	-	-
Totals	1963	$21.8	255	$2.1	13%	9.6%

*ANNUAL PREMIUM BILLING FOR 4.8 MILLION INSURED SINGLE FAMILY MORTGAGES IS APPROXIMATELY $450. MILLION. PERCENT OF DOLLAR BALANCE DELINQUENT TO THE ANNUAL AMOUNT BILLED IS .5%.

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
_____										
_____										

NOT AVAILABLE

A. Dollar Balance Outstanding

B. Number of Accounts

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office: 1 _____ 2 _____ 3 _____

D. Balance Outstanding: (in thousands) _____ _____ _____

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office: 1 _____ 2 _____ 3 _____

F. Number of Accounts: _____ _____ _____

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: _____

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: FEES — SINGLE FAMILY		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate * Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	96	$.4	96	$.4	100%	100%
B.	Other Claims (Please explain)	-	-	-	-	-	-
C.	Sustained Audit Findings	-	-	-	-	-	-
	Totals	96	$.4	96	$.4	100%	100%

*THIS FIGURE INCLUDES $.1 MILLION IN DELINQUENCIES OWED BY 10 MORTGAGEES WHO ARE EITHER OUT OF BUSINESS OR BANKRUPT.

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
_____										
_____										

NOT AVAILABLE

A. Dollar Balance Outstanding

B. Number of Accounts

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office: 1 _____ 2 _____ 3 _____

D. Balance Outstanding: (in thousands) _____ _____ _____

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office: 1 _____ 2 _____ 3 _____

F. Number of Accounts: _____ _____ _____

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: _____

SINGLE FAMILY MORTGAGE INSURANCE ON ONE- TO FOUR-FAMILY DWELLINGS

1. Program Description

HUD, through the mortgage insurance program, insures a mortgage lender against loss in the event the mortgagor defaults in the payment of the mortgage. The program covers one- to four-family dwellings or a unit in a condominium. For this insurance, a .5 to .7 of one percent mortgage insurance premium is charged the mortgagor, who in turn pays the premium monthly, and the mortgage lender is billed annually for the premium collected. In past practices, an application fee was charged the mortgagee, who in turn collected from the consumer (seller/buyer) an application fee for the processing and issuance of a conditional commitment. The commitment is for a specified term and an extension fee is charged to extend the commitment past the expiration date. This fee was also charged to the mortgagee and was discontinued June 1, 1980.

2. Description of Delinquent Debt Generated Under Program

Deliquent debt is all monies owed and not paid for a period of 90 days or more from the due date.

The delinquent debt represents application and extension fees which the mortgagee has not remitted to HUD. This debt represents old obligations since the charging of these fees were discontinued June 1, 1980.

The debtors are the mortgage lenders who have failed to remit the fees to HUD.

3. Collection Procedure Analysis

In the current procedure being used, the mortgagee is sent a detailed billing of amounts due with a request for payment.

If not paid within 30 days, a demand letter is sent demanding payment in full. Thirty days later, if no payment has been made, a second demand letter is sent the mortgagee demanding payment. If not paid within 30 days, a final demand letter is sent demanding payment. Presently, there is a representative in the field attempting to collect the delinquent debts.

4. Major Problems or Issues in Collection of Debts

Problem:

How far, and to what extent, HUD can afford to go to collect the amounts due on debts that are delinquent almost a year.

At this point, the mortgagees involved should be sent a demand letter by registered mail and given 30 days to pay. If not paid, they should be suspended from doing business with HUD until the debt is paid.

Steps Planned	Timetable
a. Notify the mortgagees by registered mail that the amounts due must be paid within 30 days or they will be suspended from doing business with HUD until all amounts have been paid.	30 days
b. If not paid at the end of the 30 days, recommend to the Mortgagee Review Board that the mortgagee be suspended until all debts have been paid.	30 days
c. Notify the mortgagee that they have been suspended from doing business with HUD and to be reinstated, all sums due HUD must be paid without delay.	30 days

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Application Fees SF and Extension Fees SF		Number of Accounts	Approximate Dollar Balance Outstanding	Number of Accounts Delinquent	Approximate Dollar Balance Delinquent	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	700*	424,441.00**	700	424,441.00	100%	100%
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	700	424,441.00	700	424,441.00	100%	100%

* Estimated

** Balance outstanding April 30, 1981--$275,560.00 - 600 accounts. This figure includes $87,265.00 in delinquencies owed by ten mortgagees who are either out of business or bankrupt. Steps are being taken to refer those mortgagees to the Office of General Counsel for appropriate legal action.

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
Application Fee SF and Extension Fee SF										

Information by Regions and Field Offices not available

A. Dollar Balance Outstanding

B. Number of Accounts

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office: 1 _____ 2 _____ 3 _____

D. Balance Outstanding: (in thousands) _____ _____ _____

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office: 1 _____ 2 _____ 3 _____

F. Number of Accounts: _____ _____ _____

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Business _____

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

Mr. John Stahl, Director of Billing and Receivables Division, Office of Finance and Accounting, telephone 755-5244, is presently responsible for debt collection.

Mr. Paul Darcey, Single Family Development Division, may be contacted in regards to the proposed plan for debt collection, telephone number 755-6720.

Resources/Assistance Needed

Due to the length of time these accounts have been delinquent, after the final demand letter for payment and the mortgagee has been suspended, the accounts should be turned over to the Office of General Counsel for appropriate legal action.

Part I

1. Program Description

The Title I Property Improvement Program is the Federal Government's oldest housing program; enacted and implemented in 1934 to help homeowners repair, restore, enlarge and generally improve the livability of their homes. Assistance is provided by insuring approved lenders against borrowers' defaults. With this protection, lenders are inclined to make loans more readily for larger amounts and longer repayment periods. In 1971 the financing of manufactured (mobile) homes was authorized under Title I.

In its history, Title I has provided insurance for more than 33 million home improvement loans and over 135,000 manufactured (mobile) homes with combined proceeds of more than $32 billion. Claims for insurance benefits have amounted to a mere $639 million, less than a 2% claim ratio, over that 47 year period; and approximately 50% of that claim amount has been recovered by HUD's collection staff. Premiums received for loan insurance have far exceeded losses in these programs. Actuarially, both programs are profitable and totally sound.

2. Description of Delinquent Debt Generated Under Title I

Debtors who have defaulted on loans insured by Title I become debtors to HUD when claims are paid and their loans are assigned to the Department. Although all of our debtors have already defaulted on their loans, they are not considered "delinquent" until they miss three consecutive payments according to the informal agreements worked out with the debtors. Approximately 90% of our debtors are delinquent.

Included in the delinquent debt are several loans that have had judgments filed by the Department of Justice against the security. These loans (probably 2500 in number) will eventually be paid in full. Another several thousand have liens against the property, secured by the original lender, which have a good chance of paying out when the property is sold or the debtor dies. Unfortunately, there are also several thousand loans in the portfolio which have passed the statute of limitations or whose debtors have filed for bankruptcy. These loans are technically uncollectible and must be written off.

Historically, the home improvement program has been especially popular in the Northeast and the Midwest. Logically then, the greatest number of defaults is also in those areas. The metropolitan areas of Chicago, Detroit, New York and Pittsburgh have the highest number of defaulted cases.

3. Collection Procedures

The responsibility for the actual collection of defaulted Title I loans rests with the individual field office supervisors and regional management. Paid claims are forwarded directly to the Title I sections of

the field office in whose jurisdiction the debtor resides. (If the debtor moves, the case is transferred to the new location.) The Title I Representative (TIR), usually aided by an assistant and a clerk, tries to contact the borrower in person, by telephone and through dunning letters. If contact is made, the TIR attempts to collect the debt in full but if that is not possible, an informal repayment schedule is worked out suitable to the debtor's ability to pay. In instances involving temporary conditions like unemployment or illness, the TIR offers forebearance until the debtor is in a position to pay. If the debtor has "skipped out" on his obligations, the TIR attempts to locate him through various means including Project 719 whereby the Internal Revenue Service attempts to provide the debtor's last known address. The TIR may suggest a compromise lump sum to debtors who have little chance of paying off the debt in full but have funds available. If the debtor refuses to pay, the TIR will refer the case to the Department of Justice to obtain a judgment against the debtor's assets. If the debtor has no assets, no employment, and no prospects of ever being able to pay, the TIR will recommend writing the case off as uncollectible. Headquarters Title I makes all final decisions on writeoffs and compromise offers.

4. Major Problems or Issues

a. Priority - Until recently, the collection of Title I defaulted loans carried a very low priority in the field offices. In fiscal year 1980, for example, Region V applied only 22 staffyears to the function in spite of the allocation of 66 staffyears by headquarters. Those 44 staffyears of effort are lost forever.

(1) The Under Secretary and Assistant Secretary-Federal Housing Commissioner have given this function a "Top Priority" with monthly tracking through the EMR System.

(2) Field managers have been ordered to staff up the function through reassignments, details and overtime. Additional travel $ are being provided by headquarters. All stations are expected to exceed the annual goal for recoveries. Regions I, II, III, and V have the most work to do over the next four months. Region X has already exceeded its annual goal.

b. Work Measurement Standard - The present standard of 5.5 staffhours per year for each case in the inventory (regardless of activity) is totally unsatisfactory. This method is contrary to good management because it encourages the collectors to maintain uncollectible cases in the inventory to conserve staffyears. The present standard is constant nationwide with no allowance for travel variances. The Denver Region with thousands of square miles to cover, all the way to Canada, gets the same 5.5 staffhours per case (equates to 325 cases per

staffyear) as the New York Area Office where a collector could have 325 cases within several city blocks. The present standard also makes no allowance for minimum staffing. No collection station should have fewer than two people, yet the entire Region X with two collection stations has been allotted only 1.7 staffyears.

(1) The Office of Housing Operations and Field Monitoring is now in the early stages of a work measurement study for the collection function.

(2) The new standard will recognize "activity", giving credit for payments received, writeoffs, etc.

(3) The new standard will recognize the need for travel requirements.

(4) The new standard will recognize the need for minimum staffing in the smaller collection stations.

c. Automation - Title I's recordkeeping, accounting and clerical functions have been a mix of manual and automated systems for several years. Posting payments, recording deposits, preparing and mailing dunning letters and receipts, reconciling accounts etc. etc. are all done manually against automated reporting systems. Total automation of the system is required.

(1) An RFP for an automated system will be approved by the end of June, 1981. Award is expected early in Fiscal Year 1982 with implementation to follow shortly thereafter.

(2) All defaulted accounts in the field will be converted to this automated system at the same time that new claims are keyed into the system. The field collector will be able to use one system for old and new cases with "screen access" to any case in his inventory.

d. Training - With high turnover in this function, training of new people should be almost continuious. No training has been provided for field staff in over 18 months. Two classes have been scheduled for early FY 1982.

e. Moral - As if low priority work, lack of attention from management, no travel funds, etc. were not enough, the Office of Personnel has just completed a reclassification of the TIR function which reduces the journeymen grade from GS-11 to GS-10 (except in Region IV where the Journeymen level is now GS-9). This reduction not only hurts the collectors who are now at the journeyman level, but also discourages the lower level field staff from staying with a function that does not match the top grades of other functions It will be impossible to reassemble a solid cadre of collectors when they could do better elsewhere. Unless the Secretary intervenes, no corrective action can be taken and the grade problem will continue to affect morale.

f. Private Debt Collection - An analysis will be made over the next year through closely monitored demonstrations to identify advantages and disadvantages of employing private debt collectors to supplement the HUD collection staff. Hopefully, the tests will show that private collectors can be used successfully and cost effectively and take the heavy burden of difficult collections off the field staffs.

g. Monitoring - Our ambitious plan to monitor two collection stations per month (last year's plan) has been stifled by headquarters staffing constraints. Until an additional Defaulted Loan Officer with field experience can be hired, headquarters will continue to monitor heavily from field reports and phone communications. On site reviews will be restricted to one office per month, at best.

Part III

Responsible Officials

The Director of the Office of Title I Insured Loans is the Claims Collection Officer for all Title I defaulted loans. He is totally responsible but has no line authority over the collection function. That authority is vested in the Regional Administrations--Area Office Managers, Area Housing Directors, Service Office Supervisors and subordinate supervisors. "Advice and guidance" from headquarters is not enough to assure maximum recoveries.

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Title I Defaulted Consumer Loans		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	576	115*	518	104	90	90
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	576	115*	518	104	90	90

* This amount differs from that provided by OFA.
A reconciliation is now underway.
The reconciled amount will be $115 million!

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt: Title I Defaulted Consumer Loans	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Dollar Balance Outstanding (in millions)	4.709	22.229	16.290	10.765	38.617	9.817	7.482	1.442	2.695	1.044
B. Number of Accounts	2,063	9,464	7,566	5,387	21,416	4,823	4,096	755	1,475	585

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

	1	2	3
C. Field Office:	New York A. O.	Detroit A. O.	Pittsburgh A. O.
D. Balance Outstanding: (in thousands)	$14,230,990.	$12,757,838.	$11,216,618.

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

	1	2	3
E. Field Office:	Chicago A. O.	Detroit A. O.	New York A. O.
F. Number of Accounts:	Est. 6,129	Est. 6,024	Est. 5,711

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Consumer

PART I - NARRATIVE

TITLE I INSURANCE CHARGES

1. PROGRAM DESCRIPTION

Under Title I of the National Housing Act, there are six separate programs that to varying degrees generate premium income. The programs are identified as follows:

1. Property Improvement (Real Estate)
2. Property Improvement (Manufactured (Mobile) Homes)
3. Fire Safety Equipment
4. Historic Preservation
5. Manufactured (Mobile) Homes Loans (Purchase)
6. Combination and Manufactured (Mobile) Home Lot Loans (Purchase)

2. INSURANCE PREMIUMS

Insurance premiums relating to the above programs are paid by the participating lending institutions and are not passed on to the individual borrowers as a separate charge. These premiums are paid in advance on an annual basis. Billing statements are received by the lending institutions on or about the first of a given month and are due and payable within 25 days. A four percent late charge is assessed to any billing statement remaining unpaid after 25 days.

3. COLLECTION PROCEDURES ANALYSIS

If insurance premium payments are not received, a manual past due notice is mailed after the 30th of the month following the due date. At the present time, with only one Collection Specialist working part time, we are identifying and accelerating collection efforts on those lenders that have the largest and oldest delinquencies. Collection is done by telephone and by sending three demand letters

to the lenders. If this fails, the matter is referred to John L. Brady, Director, Office of Title I Insured Loans for whatever action he deems appropriate.

4. DELINQUENT INSURANCE PREMIUMS

Insurance premiums listed on the attached sheet represents a delinquency from 5 to 65 days and over. Of the approximately $300,000 in delinquent premiums, $161,000 of that was in the 5 day category which is more than 50 percent of the total delinquency. As of the end of April this debt was reduced to $37,604. This illustrates that the true delinquency balance is very nominal. Most of the true delinquency is the result of disputed accounts, confusion and errors. In reality, any premiums that are delinquent do not represent a liability to the Department as any claims presented wherein the premiums are delinquent, the insurance benefits will be denied.

5. MAJOR PROBLEMS OR ISSUES IN COLLECTION OF DEBT

None.

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: TITLE I CHARGES		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate * Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	5	$.3	1	$.03	20%	10%
B.	Other Claims (Please explain)	-	-	-	-	-	-
C.	Sustained Audit Findings	-	-	-	-	-	-
	Totals	5	$.3	1	$.03	20%	10%

*ANNUAL PREMIUM BILLING FOR $37.5 MILLION. PERCENT OF DOLLAR BALANCE DELINQUENT TO THE ANNUAL AMOUNT BILLED IS .08%.

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
_____										
_____				NOT AVAILABLE						
A. Dollar Balance Outstanding										
B. Number of Accounts										

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office: 1 _____ 2 _____ 3 _____

D. Balance Outstanding: (in thousands) _____ _____ _____

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office: 1 _____ 2 _____ 3 _____

F. Number of Accounts: _____ _____ _____

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: _____

PART III

RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

RESPONSIBLE OFFICIALS

Director, Billing & Receivable Division, MIA, OFA, Room 2254 - Telephone 55244

RESOURCE/ASSISTANCE NEEDED

Due to the low delinquency in this area further resources or assistance are not needed.

DEFICIENCY JUDGMENTS

1. Program Description

When the sale of a property, incident to the foreclosure of a mortgage, results in a price that fails to satisfy the claims of the mortgagee, that deficit constitutes a continuing claim by the mortgagee against the mortgagor which is known as a deficiency judgment. Such deficiency judgments are possible under all single family mortgage insurance programs.

2. Description of Delinquent Debt Generated Under Program

The deficiency judgment, which is assigned to HUD upon conveyance of the property, establishes the amount of each debt. Delinquency is not defined.

At this time the Office of Finance and Accounting (OFA) does not have readily available data on either the number of deficiency judgments assigned to the Department or the amount(s) due under these judgments.

Debtors against whom the Department has deficiency judgments for single family mortgage insurance programs are members of the public (former homeowners).

We have no data indicating where the deficiency judgments exist. The existence of deficiency judgments depends primarily upon state laws, some of which require deficiency judgments (about 14, according to the Office of General Counsel) while other states make them difficult to obtain and still others prohibit deficiency judgments.

3. Collection Procedures Analysis

The Department has taken the position of not actively pursuing collection on deficiency judgments, and thus there are no standardized collection procedures.

4. Major Problems or Issues in Collection of Debt

Problem #1: Lack of Recordkeeping

So far as we can determine (and including information supplied by OFA), there are no records maintained of deficiency judgments. We do know that there are several states where judgments are required, so we know we have some, but we do not know how many, or for what amounts. This situation will require further study.

Steps Planned	Timetable
a. Request an analysis from the Office of General Counsel (OGC) on states which require deficiency judgments.	a. July 1, 1981
b. Develop a controlled reporting system in cooperation with OGC and OFA to systematically identify the judgments, and the amounts outstanding.	b. October 1, 1981
c. Reinforce to mortgagees the requirement that deficiency judgments be assigned to HUD upon conveyance of the property.	c. October 1, 1981

Problem #2: Lack of Defined Collection Procedures

At present, many deficiency judgments are collected "by accident," as, for example, when the former homeowner wishes to obtain credit, but a credit report reveals the outstanding judgment. The homeowner will contact HUD for satisfaction of the judgment. We may or may not even be aware that a deficiency judgment has been obtained. This situation also needs further study, as we have not traditionally pursued judgments.

Steps Planned	Timetable
a. Develop standards and policies for the terms and conditions under which HUD will collect deficiency judgments.	a. December 1, 1981

RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

The Office of General Counsel (OGC) presently handles the arrangements for satisfaction of judgments, after obtaining Housing's agreement on the amount of payment to be submitted by the former mortgagor in return for satisfaction of the judgment. As there are really no active collection efforts, however, no one person can be listed at the working level. If significant changes are made, we would probably designate a staff person who could take on the responsibility in Housing. Staff person would be a single family mortgage servicing specialist.

For questions on this plan, contact Richard B. Buchheit on X56700.

Resources/Assistance Needed

The efforts in obtaining data and developing procedures will require coordination between OFA, OGC, and Single Family Housing. It would therefore be beneficial for contact persons to be designated in each area who can be held responsible for their particular aspect.

SECTION 235 ASSISTANCE PAYMENTS

1. Program Description

With mortgages insured under Section 235 of the National Housing Act, HUD will pay a portion of the borrower's total mortgage payment directly to the mortgagee. In general, HUD's payment will represent the difference between the total monthly mortgage payment and 20% of the borrower's adjusted monthly income. As the borrower's income increases, HUD's portion of the payment decreases until a point in time where 20% of the borrower's income will support the full mortgage payment and he/she will no longer receive payments on his/her behalf by HUD. In order to determine the amount of assistance a borrower is entitled to, he/she must submit a recertification of income form. From the data submitted by the mortgagor, the mortgagee determines the amount of assistance to which the mortgagor is entitled.

2. Description of Delinquent Debt Generated Under Program

When a mortgagee bills HUD for more assistance than the amount to which a mortgagor is entitled, that amount is classified as overpaid assistance. When an overpayment of assistance has been determined by the Department, in effect, those partial mortgage payments have been improperly paid. The assistance payment contract is between HUD and the mortgagee. HUD seeks recovery from the mortgagee. This is usually done by having the mortgagee adjust its next monthly billing to HUD for assistance payments to reflect the overpayment (For example, assume a $300 overpayment and the mortgagee's next billing would normally call for a $1,000 bill, the mortgagee would adjust the bill to $700 to reflect the overpayment). The mortgagee subsequently recaptures the amount it refunded to HUD by collecting from the mortgagor.

The authority and responsibility to make determinations of overpayments and instruct the mortgagee to adjust its billing rests with the Field Offices. Local decisions of this nature occur on a frequent basis but rarely enter the Central Office claims collection mainstream. Only in an unusual situation would the Headquarters Claims Collection Officer become involved in such transactions. There are situations, however, when the original mortgagor, on whose behalf assistance was overpaid, is no longer obligated to the mortgagee under the mortgage (through sale or transfer). In such situations, HUD cannot look to the mortgagee for the refund in as much as the mortgagee cannot recapture the funds from the original borrower and it cannot justify billing the assumptor for payments made on behalf of

the original borrower. The Department, through claims collection procedures, attempts to collect the overpayment directly from the borrower. The Claims Collection Officer for the Office of Single Family Housing is responsible for these debts. Currently, there are only seven such cases.

3. Collection Procedure Analysis

As stated above, the Field Offices are looking into allegations of overpaid assistance on a continuing basis and in the overwhelming majority of instances, where an overpayment is determined to exist, they notify the mortgagee and instruct the mortgagee to adjust the next monthly billing. Mortgagees are exempt from refunding the overpayment when the benefiting mortgagor (usually the original mortgagor) is no longer obligated under the mortgage. When the Field Office receives word from the mortgagee that the original borrower is no longer obligated, they refer the case to the Single Family Mortgage Servicing Division, Headquarters, for claims collection activity. At Headquarters, the case is reviewed to:

a. Determine if overpayment does in fact exist.

b. Determine, if possible, the whereabouts of the debtor.

c. Write the required demand letter(s).

d. Establish an account with OFA in the name of the debtor.

e. Return the case for actual collection to the Field Office having jurisdiction over the area where the debtor is residing.

4. Major Problems or Issues in Collection of Debt

Problem #1 - Location of Debtor

In too many instances, the only address we have for the debtor is the address of the property. We have to obtain locator information with respect to the borrower. We plan to make use of more recent data available to the Field Offices and mortgagees. Where available, we intend to utilize the Haines Locator Index which cross references phone numbers with addresses. Further, we intend to request the assistance of the IRS in locating debtors. We shall have initiated all of these actions prior to August 15, 1981.

Problem #2 - No Follow-up Control

In our claims collection procedures, once we have established the debt with OFA and have sent the case to the Office having jurisdiction, we lose track of the case. There is no established reporting system to determine if the debts are being paid.

We are taking steps to establish such a reporting system with OFA, which should be in place by August 1, 1981.

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PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Section 235 Assistance Overpayment		Number of Accounts	Approximate Dollar Balance Outstanding	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	7	$ 8,204.75	7	$ 8,204.75	100%	100%
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	7	$ 8,204.75	7	$ 8,204.75	100%	100%

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
Section 235 Assistance Overpayments		NOT AVAILABLE								
A. Dollar Balance Outstanding										
B. Number of Accounts										

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office: 1 _____ 2 _____ 3 _____

D. Balance Outstanding: (in thousands) _____ _____ _____

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office: 1 _____ 2 _____ 3 _____

F. Number of Accounts: _____ _____ _____

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Individuals who were overpaid

RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Official

Richard B. Buchheit, Director, Single Family Mortgage Servicing Division - 755-6700

Resources/Assistance Needed

The workload is not of the volume to require special resources or assistance.

PART I - SINGLE FAMILY PROPERTY DISPOSITION

1. Program Description

The Single Family Property Disposition Program is a sales oriented program. Under certain conditions acquired home properties will be rented. The Department will rent properties when the occupant of a property in the conveyance pipeline qualifies for continued occupancy under the provisions of 24 CFR 203.381. HUD also will rent properties under the following conditions when: (1) consummating a sale will involve a delay to an extent that rental is justified; (2) occupancy is essential to prevent vandalism or rapid deterioration; (3) the inventory in a community exceeds sales market absorption capability; (4) the property is a two to four family dwelling; (5) used as temporary housing for disaster victims; or (6) the property qualifies for a lease with an option to purchase. Generally, HUD's leases its home properties at the fair market rate, on a month-to-month lease basis.

2. Description of Delinquent Debt Generated under Program

A delinquent debt is back rent owed by present or former occupants. The debt remains in the accounts receivable when the occupant vacates the premises until it is either paid by the former occupant or is written off as uncollectible.

Generally, delinquent rents are the one type debt that arises in this program. Rent is due on the first of a month and payable no later than the tenth. On the eleventh day an occupant is delinquent if rent is still unpaid. The debtors are the occupants who signed a lease to rent an acquired home property. The occupants generally come from the public sector. HUD may enter into a lease with either the Department of Defense or local government housing agencies but delinquent debts do not arise out of these arrangements.

The region with the highest balances and number of debts owned is Region V in which rental delinquencies and rentals account for 59% and 55% of national totals in each of those categories. It should be noted that most of these rentals and delinquencies occur in the Chicago area which was a focal point in the mid-70's for litigation which compelled the Chicago Area Office to rent large numbers of acquired home properties without regard to the ability of the occupants to pay rent. Many of these occupants felt that they did not have to meet their rental obligations.

3. Collection Procedures Analysis

Outstanding procedures call for the area management broker (AMB) to aggressively pursue delinquent accounts owed by present occupants. When an account becomes three months delinquent, action is instituted to evict the delinquent occupant.

AMBs are firms or individuals under contract with HUD to provide management services to acquired home properties. Part of their functions are to handle the rental and collection of rent for those properties. Their fee is 5% of rent collected. Evictions generally are handled by local attorneys at rates approved by the local field office.

AMB or locally approved attorneys collect delinquent rent owed by former occupants. AMBs receive 10% of collections while attorneys are compensated at the customary rate for that service in their area of operation.

4. Major Problems or Issues in Collection of Debt

The problem has been the collection of rent on a timely basis. Delinquent rental accounts are unpaid rentals which accumulated in a three year period starting in early 1977 during which occupied conveyance regulations were under development. There was a moratorium on eviction for failure to pay rent during that period of time. The moratorium was a matter of policy. The problem was solved with the publication of occupied conveyance regulations in November 1980.

Additional steps have been taken to assure that the Property Disposition Branches in the field offices know what the policy is and what is expected of them regarding collection of delinquent rent. A memorandum was issued to the field offices in June 1980 which emphasized the urgency to reduce delinquency and to take aggressive eviction action. Restraints were removed which hindered evictions. A workout procedure was instituted to give well-meaning occupants an opportunity to reduce delinquencies gradually and systematically. The fee payable to AMBs to collect delinquent rent from former occupants was increased from 5% to 10% of rent collected. Field offices were required to more closely evaluate applicants in occupied conveyance cases to assure that they have the financial ability to pay fair market rentals.

Steps to improve collection actions follows:

Steps Planned	Timetable
a. Clarify misunderstandings regarding commencement of delinquency. Rent is delinquent if not paid by eleventh of month. Change to Handbook 4310.5.	a. 1 Oct. 1981
b. Order evictions when occupant is two months delinquent, not three. Occupant is subject to eviction if delinquent rent is not paid by the second day of second month. Change to Handbook 4310.5.	b. 1 Oct. 1981
c. Assess a 4% late charge on all delinquent rent. Change to Handbook 4310.5.	c. 1 Oct. 1981
d. Develop a report to monitor the effectiveness of field offices' action to reduce delinquencies.	d. 1 Oct. 1981
e. Set a goal for OPLAN which will require field offices to reduce delinquencies by a specified percentage each month. Tie this goal in with Chief Property Officer's (CPO) merit pay, when applicable.	e. 1 Oct. 1981
f. Monitor a test program in Detroit Area Office. The Area Office is developing a formal contract to use a collection agency to handle claims against former occupants.	f. 1 July 1981

PART II - STATISTICS
PAGE 1.

SINGLE FAMILY PROPERTY DISPOSITION

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: SF PD Acquired Properties Rental Status		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD						
	Present Occupants	5,852 *	-0- **	3,511 ***	3.306	60%***	NA
	Former Occupants	NA	NA	NA	2.013	NA	NA
B.	Other Claims (Please explain)	NA					
C.	Sustained Audit Findings	NA					
	Totals	5,852	-0-	3,511		60%	NA

* Number of accounts represents total number of units rented in March 1981.

** Rent is due on the first of the month and payable by the tenth.

*** In September 1980, SF PD Division conducted a survey to determine the number of occupants who were less than 30 days delinquent. The survey reflected that 40% of the occupants were less than 30 days delinquent. The figure shown above was arrived at by an interprolation of the 60% delinquency percentage that stemmed from the survey.

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PAGE 2.

SINGLE FAMILY PROPERTY DISPOSITION

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt: SF PD Acquired Properties-Rental Status	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Dollar Balance Outstanding (in millions)										
Present Occupants	.075	.561	.570	.240	1.803	.002	.015	.000	.040	.000
Former Occupants	.052	.276	.056	.143	1.169	.002	.000	.000	.315	.000
B. Number of Accounts (in 100s)										
Present Occupants	1.06	11.43	7.84	4.32	31.99	.44	.58	.07	.79	-0-

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Delinquent Balances are:

C. Field Office:	1 Detroit Area Office	2 Chicago Area Office	3 New York Area Office
D. Balance Outstanding: (in thousands)	$1,405.850	$1,356.474	$ 619.976

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office:	1 Chicago Area Office	2 Detroit Area Office	3 Philadelphia
F. Number of Accounts: **	1,109	595	425

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Consumer

* Number of accounts represents total number of units rented in March 1981.

** See comments identified *** on Page 1, Statistics

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

In the Single Family Property Disposition Program, the official responsible for debt collection at the working level is the Chief Property Officer (CPO) in each Area Office and in each Service Office having S. F. Property Disposition responsibility. The CPO is required to monitor the effectiveness of AMBs and/or attorneys in the collection of delinquent rent and the supervision of those individuals or firms by realty specialists. The CPO is also responsible for implementing remedial actions when required.

Pat Grote, Director, Single Family Property Disposition Division, Office of Single Family Housing, is the key staff member at Headquarters to contact for questions about the entire plan. His telephone number is 755-8680; room number 9180.

Resources/Assistance Needed

Data reports with regard to delinquencies are based on AMB monthly accounting reports which the AMBs are required to submit by the tenth of the month following the end of the reporting month. Copies of the contract management brokers' (AMBs) report are submitted simultaneously to Headquarters OFA and to the PD unit of the local HUD field office. The information is thus available at the field offices for verification and monitoring purposes. Under item d of "Step Planned" in Part 1, Single Family Property Disposition Division intends to request this information for its monitoring purposes.

At present, SFPDD obtains summary delinquency data from the Office of Finance and Accounting which also uses as a data source the AMB monthly accounting report. However, by the time we receive the report from OFA the data it shows is two months old. OFA requires a 2 month lag time to collect the data, compile it and put it into a report format. The Division could use the assistance of the Debt Collection Task Force to obtain a more timely report from OFA and an expanded report which shows not only total former and present delinquent amounts by field office, regional office and nation (which the present report now reflects) but also the number of delinquent occupants and delinquent rent received in the reporting month broken out by field office, regional office and nation. We are not receiving the latter categories of data at present but need this information to perform a meaningful monitoring service.

PUBLIC HOUSING AND INDIAN PROGRAMS

DEBT COLLECTION PLANS

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PART I - LOW-INCOME PUBLIC HOUSING - DEVELOPMENT

1. Program Description

The U. S. Housing Act of 1937 authorizes HUD to provide financial and technical assistance to public housing agencies (PHAs) for the development of low-income housing projects. PHAs finance the development of public housing projects, through direct federal loans and the sale of Notes (or, sometimes, long-term Bonds). During the development of public housing, HUD provides the PHAs with technical assistance in planning and developing the projects, and financial assistance in the form of advances under the Preliminary Loan Contract (PLC) and Annual Contributions Contract (ACC) for planning and development purposes and annual contributions to cover debt service on the Notes (and/or Bonds) issued.

2. Description of Delinquent Debt Generated Under Program

PHAs (non-taxable, non-profit public agencies) are advanced funds by HUD under the Preliminary Loan (PLC) and Annual Contributions Contracts (ACC) during the normal course of project development pursuant to the public housing development regulations 24 CFR 841 (2/77). While revised regulations (10/80) no longer authorize the use of PLCs, advances for planning may be made under the ACC. Projects for which funds were reserved prior to issuance of the revised regulations may continue to receive advances under a PLC. These advances are ultimately liquidated when either the preliminary loan is incorporated into the total development cost and ACC of the project or advances under the Annual Contributions Contract are repaid from the sale of project notes. However, when a project is terminated before completion because the PHA or locality no longer desires the project or the PHA is unable to process the project expeditiously, these advances then become outstanding debts to be repaid by the PHA from sources other than the ACC. Because of the nature of a PHA, the debts cannot always be repaid and become delinquent.

Regions with the highest balances of delinquent debts, as provided by OFA, are as follows:

(a) Preliminary Loans - Regions V, VIII and VII.

(b) Annual Contributions Contracts - Regions I, IV and VI.

3. Current Procedures Analysis

Regulations governing the development of public housing require that if a project is terminated, advances under the Preliminary Loan Contract and Annual Contributions Contract must be repaid to HUD from assets available to the PHA for this purpose (1977 - 24 CFR 841.113(b), 841.116(c) and 1980 - 841.406(c)). Handbook instructions repeat this requirement, however, in the case of a terminated Preliminary Loan Contract, a PHA may include the costs of a terminated project in the development cost of another project under development if the two projects are sufficiently related.

Specifically, Handbook 7417.1 (1977) requires that when a Preliminary Loan Contract is terminated the Field Office must take the following termination actions:

(a) Request the PHA to repay the outstanding debt and to take the following actions:

(1) Submit an itemized list of all saleable assets and proceed with the sale;

(2) Submit a balance sheet and a statement of costs reflecting the current financial status of the PHA;

(3) Terminate project activities and take steps to minimize further costs;

(4) Furnish a statement of the status of project activities, obligations, assets, etc. and;

(5) Furnish a schedule for closing out project activities.

(b) Initiate action to require banks or depositaries to refuse to permit withdrawals.

(c) Transmit financial statements and remittances from the PHA to the Regional Accounting Division (RAD).

(d) Advise the RAD, by memorandum, when all assets have been liquidated and the proceeds remitted.

(e) The RAD then transfers any unpaid balances and interest thereon to the appropriate allowance for losses account.

4. Major Problems or Issues in the Collection of Debts

The problem with the procedures identified above is that they do not address actions to be taken if PHAs are unable or unwilling to repay the balance due. In addition, a PHA or the local governing body may have contributed to the failure of the project. It must be noted that as a non-profit agency, a PHA's sources of funds are very limited; i.e., usually the only assets that could be used for debt repayment would be those acquired during project development. Operating income or subsidy in connection with any public housing project in management is unavailable for payment of development debts. Thus, a PHA's ability to repay such debts is limited.

However, to the extent that PHAs are able to repay these debts, with or without assistance from the locality, page changes are being prepared to the public housing development handbooks which would improve upon the current procedures. It is anticipated that these procedures will be expanded to include additional actions by Field Offices with respect to the collection of delinquent debts under a Preliminary Loan Contract or an Annual Contribitions Contract along the following lines:

(a) Written demand to the PHA;

(b) Where applicable, referral to the Regional Office with a recommendation to initiate legal action to liquidate all assets;

(c) Obtaining assistance for repayment of the debt from the local governing body, including the use of Community Development Block Grant (CDBG) funds. (This should be in conjunction with CDBG monitoring wherein the conditioning, withholding or denial of CDBG funds is appropriate.);

(d) If liquidation of the debt is not forthcoming, making the locality ineligible for further HUD-assisted housing pending repayment of the debt;

(e) Where the field office determines that neither the PHA nor the local governing body contributed to the failure of the project which gave rise to the debt (e.g., denial of zoning by the local governing body and failure of the PHA to proceed expeditiously with project development), authorize the inclusion of the outstanding debt in the total development cost of another new public housing project of the PHA;

(f) Payment of the debt from any PHA assets available after retirement of all obligations for which annual contributions are pledged under any federally-assisted program and;

(g) Failing the above, referral to the Claims Collection Officer pursuant to Handbook 1900.25 with a copy to the Assistant Secretary for Housing for final disposition.

Our timetable for completion of page changes is as follows:

(a)	Draft page changes	7/81
(b)	Obtain Departmental clearance	8/81
(c)	Resolve all comments	9/81
(d)	Initiate issuance of changes	10/81

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Development / Federal Guaranteed / Perm & Prog. Loans		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	18.8	$143	1.42	$3	7%	2%
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	18.8	$143	1.42	$3	7%	2%

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt: Development	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
Federally Guaranteed Permanent Project Loans										
A. Total Dollar Balance Delinquent Balance	4,000,000	4,000,000	24,000,000	38,000,000	33,000,000	25,000,000	3,000,000	3,000,000	5,000,000	4,000,000
B. Total Number of Accounts Delinquent Accounts	186	146	279	357	328	240	79	95	80	92

Nationally, for this category of debt, the three Regional Offices with the Largest Outstanding Delinquent Balances are:

C. Regional Office:	1	2	3
D. Balance Outstanding: (in thousands)			

Nationally, for this category of debt, the three Regional Offices with the Largest Number of Delinquent Accounts are:

E. Regional Office:	1 IV	2 I	3 VII
F. Number of Accounts:	35	30	21

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Public/Non-Profit

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Preliminary Loans Receivable		Number of Accounts	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	1,062	$21.4	31	$.4	2.9%	1.9%
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	1,062	$21.4	31	$.4	2.9%	1.9%

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt: Preliminary Loans Receivable	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Total Dollar Balance Outstanding	$675,143	$910,051	$1,614,091	$3,242,554	$2,558,331	$1,787,424	$809,753	$1,792,545	$5,900,706	$2,154,359
Delinquent Balance	0	26,000	0	42,000	264,000	0	11,000	39,000	0	0
B. Total Number of Accounts	35	3	112	174	180	211	60	77	147	63
Delinquent Accounts	0	1	0	1	20	0	2	3	0	0

Nationally, for this category of debt, the three Regional Offices with the Largest Outstanding Delinquent Balances are:

	1	2	3
C. Regional Office:	V	VIII	VII
D. Balance Outstanding: (in thousands)	264	39	11

Nationally, for this category of debt, the three Regional Offices with the Largest Number of Delinquent Accounts are:

	1	2	3
E. Regional Office:	V	VIII	VII
F. Number of Accounts:	20	3	2

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Public/Non-Profit

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

Raymond W. Hamilton, Director, Public Housing Development Division, Extension 755-5846.

Resources/Assistance Needed

Handbook changes will be accomplished using existing staff resources. Assistance may be requested to elevate priority in order to expedite the clearance process.

PART I - NARRATIVE

LOW-INCOME PUBLIC HOUSING -- MANAGEMENT

1. Program Description

The low-income public housing program is developed and managed under authority of the United States Housing Act of 1937, as amended. The principal parties to the program are the Public Housing Agency (PHA) [or Indian Housing Authority (IHA), as appropriate] and HUD. The relationship between these parties is contractual, the provisions of which are embodied in an Annual Contributions Contract (ACC) governing both the development and management of the projects which are owned (or leased) and operated by the PHA. The development of public housing projects is financed through the sale of notes or bonds in the private market which are then amortized through annual contributions paid by HUD, generally over a 40-year period. Annual contributions are also paid by HUD to amortize the cost of needed modernization of existing public housing projects. Additional annual contributions for operations (operating subsidies) are paid by HUD once the projects reach management in order to bridge the "gap" between the costs of operation of a public housing project and the revenues which can be generated from rents and other local sources. The major kind of projects which are or have been developed under the public housing program are as follows: (1) PHA-owned rental housing projects; (2) PHA-owned Turnkey III Homeownership Opportunity Projects; (3) IHA-owned Mutual Help Homeownership Opportunity Projects; and (4) PHA-leased housing projects (Sections 23 and 10(c)).

The management stage for a public housing project begins with the end of the initial operating period (the period of initial lease-up of units) and extends throughout the term of the Annual Contributions Contract (generally 40-years). During this period the operation of the projects is governed by the provisions of the ACC itself as well as HUD regulations relating to occupancy, financial management, disposition, etc. Annual operating budgets and financial statements must be submitted to HUD and operating subsidies may be paid in accordance with an approved operating budget and applicable regulations.

Public Housing Agencies, which are the sole debtors in the public housing program, are public bodies established in accordance with state enabling legislation. PHAs may be directly affiliated with county or municipal governments or may be quasi-governmental in nature.

2. Description of Delinquent Debt Generated Under Program

Delinquent debt in the low-income public housing program is generally defined as debt which is not paid to HUD by a due date specified for each type of debt in the ACC, or in HUD regulations or handbooks. The major types of debt arising from the public housing program are as follows:

(a) Residual Receipts. Residual receipts are defined as the amount by which the aggregate operating receipts for all projects of the same type within a PHA and under the same ACC exceed the aggregate operating expenditures for such projects (including provision for an operating reserve up to a specified maximum level) in any single PHA fiscal year (or during the initial operating period). Residual receipts are required by Handbook 7475.1 to be remitted to HUD within 60 days of the end of a PHA's fiscal year.

(b) Administrative Loans. Administrative Loans are provided to PHAs during management for unusual costs which cannot be funded from normal operations and are repaid to HUD, generally through annual payments, in accordance with a repayment schedule agreed to at the time of origination of the loan. The repayment schedule may be revised from time to time as circumstances warrant.

(c) Overpayments of Basic Annual Contributions -- Sections 23 and 10(c) Leased Housing Projects. Basic Annual Contributions (BAC) are paid to PHAs for lease payments and operation of Sections 23 and 10(c) projects (projects which are leased by PHAs from private owners rather than owned by PHAs themselves) in accordance with an operating budget approved by HUD prior to the beginning of each PHA fiscal year. After the end of each fiscal year, a reconciliation is submitted to HUD by the PHA indicating actual BAC earned and any over or under payment of BAC during the year. Any overpayment is required by Handbook 7430.1 to be remitted to HUD within 20 days after the end of the fiscal year.

(d) Unguaranteed Loans. Under certain circumstances, where other sources of funding are not available, HUD provides loans to PHAs for (1) inclusion of commercial facilities in public housing projects and (2) construction of off-site facilities such as extension of water and sewer systems and access streets to the site boundary. These loans are repaid to HUD in accordance with repayment schedules agreed to at the time of loan origination.

(e) Capitalized Interest.

Capitalized Interest is defined as that interest cnarged against project loans during the development stage but after the project has become permanently financed by HUD and, therefore, is eligible to receive Annual Contributions (but has not yet reached Date of Full Availability). In essence, it is the accrued interest on project loans from the date of permanent financing to the Date of Full Availability.

3. Collection Procedures Analysis

Following are descriptions of current procedures for collecting each type of debt when delinquency occurs:

(a) Residual Receipts. Prior to April 1980, the Office of Finance and Accounting (OFA), Headquarters, would periodically bill PHAs for residual receipts not remitted timely. In April 1980, a joint effort between OFA and the Office of Housing, Headquarters, was undertaken to collect a large balance of overdue residual receipts, some dating back many years. The interim procedure implemented at that time involves the provision to Housing by OFA of a quarterly listing of delinquent residual receipts. The Office of Housing transmits the listing, via memorandum from the Assistant Secretary, to Regional Offices, with instructions to review the listing and foward it to the appropriate Field Offices. Field Offices are instructed to make direct contact with the PHAs involved to request remittance of the amounts due. If PHAs fail to remit the amounts due, Field Offices are instructed to implement appropriate provisions of the Departmental Claims Collection Handbook, 1900.25, including offset against operating subsidy eligibility. The interim procedure will remain in place until implementation of the permanent procedure described in Item 4 below.

(b) Administrative Loans. Administrative Loans are also covered by the interim procedure described above. On a periodic basis, OFA notifies Housing of PHAs which become delinquent in repaying Administative Loans. Housing then requests Field Office attention to the matter. Administrative Loans will also be covered by the permanent procedure described in Item 4.

(c) Overpayments of BAC. A procedure was implemented during 1979 to collect overpayments of BAC not remitted with year-end reconciliations, as required (see Handbook 7430.1). Basically, this procedure requires that overpayments not remitted timely be offset against subsequent partial payments of BAC. The procedure also provides that partial payments of BAC be withheld when required year-end reconciliations (or adequate explanation of any delay) is not received from the PHA. It is felt that this current procedure is adequate for collection of delinquent overpayments of BAC.

(d) Unguaranteed Loans. OFA bills PHAs for payments on unguaranteed loans whenver such payments become due (generally annually). Follow-up bills and letters are sent by OFA for payments which are not remitted timely.

(e) Capitalized Interest. Upon receipt of notification of projects involving capitalized interest from OFA, specific instructions are issued requiring the Regional Project Financing Specialists to coordinate collection efforts with Field Offices. The Field Offices advise the PHAs of the amount of capitalized interest due HUD, the deadlines for remittance, and where the checks should be sent. Follow-up actions, as necessary, are implemented by the Regional Project Financing Specialists. Due to the limited number of cases involving capitalized interest, it is felt that the current procedure, which was implemented during 1980 at OFA's request, is adequate. The only major problem is the presence of litigation in some instances, which impedes the collection process.

4. Major Problems or Issues in Collection of Debt

During 1980, OFA requested the assistance of the Office of Housing in collecting residual receipts, administrative loans and capitalized interest which, despite numerous OFA efforts, remained unpaid. As a result of OFA's request, the interim procedure described in Item 3 was implemented in an effort to collect the delinquent residual receipts and administrative loans. (A separate procedure was adopted for capitalized interest.) At the same time, work was begun on developing a permanent procedure to address these problem areas.

The permanent procedure, which will be incorporated into the Low-Income Housing Financial Management Handbook 7475.1, outlines OFA, Housing and Field Office responsibilities for collecting delinquent residual receipts and administrative loans. Briefly, the procedure provides that OFA will forward quarterly reports on delinquent residual receipts directly to Field Offices, which will then implement appropriate collection activities as provided in the Departmental Claims Collection Handbook. Reports on delinquent administrative loans will continue to be provided to Housing, Headquarters, which will refer them to Field Offices or take other appropriate action, as circumstances warrant.

The permanent procedure was placed into Department Clearance on April 21, 1981. Housing will issue the procedures in final as soon as possible after all clearance comments have been received and reviewed. In addition, we are currently reviewing the status of unguaranteed loans (commercial facilities loans and off-site facilities loans) to determine if a collection problem exists in this area. If so, a determination may be made to include these loans in the permanent procedure when it is issued.

It should be noted that as of March 31, 1981, the interim procedure implemented in April 1980 had resulted in collection of 56.7% of those residual receipts due in 1978 and prior years which were outstanding as of March 31, 1980 (a reduction from $980,194 at March 31, 1980 to $424,104 at March 31, 1981). The number of cases of delinquent residual receipts outstanding for these years was reduced by 55.1% -- from 127 to 57.

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MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Residual Receipts & Capitalized Interest	Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A. Debt to HUD						
Capitalized Interest	.09	$ .646	.09	$ .646	100%	100%
Residual Receipts	3.01	4,597	3.01	4,597	100%	100%
B. Other Claims (Please explain)						
C. Sustained Audit Findings						
Totals						

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt: Residual Receipts & Capitalized Interest	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Dollar Balance Outstanding										
1. Capitalized Int.	43,466.39	83,981.53		84,832.70		433,980.97				
2. Residual Rec.	9,501.75	106,864.57	428,645.67	1,662,076.35	1,388,861.59	327,604.13	110,501.31	89,808.48	414,563.54	58,979.39
B. Number of Accounts										
1. Capitalized Int.	2	1	-	2	-	4	-	-	-	
2. Residual Rec.	1	7	10	91	58	68	25	20	14	7

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office:	1 IV	2 V	3 III
D. Balance Outstanding: (in thousands) (Residual Receipts)	1,662	1,389	429

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office:	1 IV	2 VI	3 V
F. Number of Accounts: (Residual Receipts)	91	68	58

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Public/Non-profit

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MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Management / Admin. Loan		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	.07	$5	.03	$3	43%	60%
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	.07	$5	.03	$3	43%	60%

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt: Management / Administrative	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Dollar Balance Outstanding	350,000	-0-	1,441,000	-0-	2,967,000	-0-	-0-	-0-	-0-	-0-
B. Number of Accounts	2	-0-	2	-0-	3	-0-	-0-	-0-	-0-	-0-

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

	1	2	3
C. Field Office:	V	III	I
D. Balance Outstanding: (in thousands)	2,967	1,441	350

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

	1	2	3
E. Field Office:	V	III	
F. Number of Accounts:	2	1	

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Public/Non-Profit

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MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Development Not Federal Guaranteed Off-Site, Comm. Fac. etc.		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	.15	$.35	.05	$.2	33%	57%
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	.15	$.35	.05	$.2	33%	57%

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GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt: Not Federal Guaranteed Off-Site Comm. Fac. etc.	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Dollar Balance Outstanding	212	29,884	209,000	10,106	1,697	28,000	744	-0-	49,657	-0-
B. Number of Accounts	1	1	2	4	1	3	1	-0-	2	-0-

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

	1	2	3
C. Field Office:	III	IX	II
D. Balance Outstanding: (in thousands)	209	50	30

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

	1	2	3
E. Field Office:	VI	I	V
F. Number of Accounts:	2	1	1

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Public/Non-Profit

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MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Section 23 Accounts Receivable		Number of Accounts	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	45	$2.5	16	$ .5	35%	20%
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	45	$2.5	16	$ .5	35%	20%

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GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt: Section 23 Accounts Receivable	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Dollar Balance Outstanding	175,428.94	81,432.47	-0-	270,689.28	26,455.70	296,782.01	-0-	-0-	1,186,254.02	457,716.64
B. Number of Accounts	1	9	-0-	21	1	7	-0-	-0-	4	2

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

	1	2	3
C. Field Office:	IX	X	VI
D. Balance Outstanding: (in thousands)	1,186	458	297

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

	1	2	3
E. Field Office:	II	IV	IX
F. Number of Accounts:	9	3	1

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Public/Non-profit

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

Under the interim procedure for collecting delinquent residual receipts and administrative loans, the Director, Fiscal Management Division, Office of Public Housing, Headquarters, is responsible for forwarding delinquency reports received from OFA to Regional Offices. At the Regional level, Directors of Regional Housing are responsible for forwarding the listing to appropriate Field Offices, although the actual functional responsibility should be delegated to Regional Claims Collection Coordinators. At the Field Office level, Claims Collection Officers (CCOs) or other staff designated by the Field Office Manager/ Supervisor are responsible for implementation of actual collection efforts.

Under the permanent procedure, which is currently in the process of being issued, reports on delinquent residual receipts will be forwarded directly to Regional Offices by OFA. Reports on delinquent administrative loans will continue to be sent to the Director, Fiscal Management Division. Other functions will remain unchanged from the interim procedure.

The current procedure for collecting capitalized interest due HUD is administered by the Director, Project Financing Division, Office of Financial Management, Housing, Headquarters, who refers amounts due to Regional Project Financing Specialists for follow-up.

Resources/Assistance Needed

Current Headquarters and Field Office staffing should be adequate to effectuate the collection procedures for the debts identified herein. A key consideration which must be addressed, however, is the amount of emphasis which is placed on debt collection activities by Field Offices. Currently, the collection of delinquent residual receipts, administrative loans, etc., does not appear as an operating plan goal for Field Offices; therefore, it often takes a "backseat" to those activities for which goals have been established. Also, collection activities are often assigned to a single CCO in a Field Office. A more coordinated approach by Field Offices, in which all program staff (e.g., Housing Management Officers) would be involved, would probably be more effective. This would most likely be a natural outgrowth of establishing an operating plan goal.

PART I - ADVANCES FOR PUBLIC WORKS PLANNING PROGRAM

REVOLVING FUND

1. Program Description

Under the Advances for Public Works Planning Program, HUD and its predecessor agencies were authorized by Congress to make interest free, repayable advances of funds to local public agencies to aid in financing the cost of plan preparation for specific public works projects. The primary purpose of the program was to encourage local public agencies to maintain a reserve of prepared plans for projects which can quickly be placed under construction.

2. Description of Delinquent Debt Generated Under Program

The Advances for Public Works Planning Programs are arranged so that loan repayments are not payable until construction of the planned public work project for which the planning money was advanced is begun. A query is made annually to the planning advance recipients. Did construction start? If "yes", HUD field engineers review actual construction plans and determine what proportion of the original plans created by the planning advance were actually used. The recipients of the planning advance are charged for that proportion of the original plans used and the remainder is written off by the Regional Administrator.

The debtors are generally small cities or towns.

3. Collection Procedures Analyses

When the recipient reports construction has started on the planned public facility, and after the HUD field engineer has determined the repayment amount, the Regional Accounting Division (RAD) bills the recipient for the amount due. The claim then becomes an account recivable. If the recipient does not pay within 60 days as specified in the billing, the claim is considered delinquent. If repayment is not made within the 60 day period, a formal demand letter is sent to the recipient stating that if payment is not received within 60 days, it may be necessary to transmit the file to Headquarters for possible referral to the Department of Justice. If payment is not received, and collection activity has been exhausted, the Regional Office will transmit the file to the Programs Liquidation Branch in Headquarters.

After review by the Programs Liquidation Branch, the claim is forwarded to the Office of General Counsel for review and transmitted to the Department of Justice for collection in accordance with Federal Law. See Handbook for PWP Program 6260.3 REV-1 for the detailed collection precedure.

4. Major Problems or Issues in Collection of Debt

Some problems have resulted from lack of funds for travel purposes and for training of new Program Liquidation Specialists. It is recommended that in order to achieve greater collection volume, adequate funds be provided for these purposes. We note also that the field Program Liquidation Specialists at times have been detailed to other duties.

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MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Advances for Public Works Planning Program		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	NA	$32.7	NA	$3.6	NA	11
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	NA	$32.7	NA	$3.6	NA	11

NA = Project count not available from Office of Finance and Accounts

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GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

	Category of Debt: Advances for Public Works Planning	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X	C.O.
A.	Dollar Balance Outstanding	6.1	6.1	2.7	1.7	4.2	4.4	1.1	0.9	1.6	2.4	1.5
B.	Number of Accounts											

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C.	Field Office:	1 Regions I and II	2 Region VI	3 Region V
D.	Balance Outstanding: (in thousands)	6,100 each	4,400	4,200

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E.	Field Office:	1	2	3
F.	Number of Accounts:	Not available	Not available	Not available

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Public

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

For the Advances for Public Works Planning Program, the person responsible at the working level for debt collection is the Program Liquidation Specialist in the Office of Regional Housing in each Region. For any question concerning the Advances for Public Works Planning Program, please call Mr. Stanley F. Victor, extension 67218.

Resources/Assistance Needed

The current national allocation of 16 PFTs is considered adequate to effectively manage the liquidation of the Advances for Public Works Planning Program.

PART I - THE PUBLIC FACILITY LOANS PROGRAM

REVOLVING FUND (LIQUIDATION PROGRAMS)

1. Program Description

The Public Facility Loans Program was authorized under the Housing Amendments of 1955, Public Law 84-345, as amended, to assist wherever possible, the States and their political subdivisions in providing the services and facilities essential to the health and welfare of their citizens, and to authorize the extension of credit to assist in the provision of certain essential public works or facilities by States, municipalities, or other political subdivisions of States where credit was not otherwise available on reasonable terms and conditions.

2. Description of Delinquent Debt Generated Under Program

Since all PFL loans, with a few exceptions, are represented by bond issues purchased by HUD or its predecessor agencies, a debt arises when a semiannual interest payment or an annual principal payment is not paid and remains in this non-pay status for 60 or more days.

The debtors are generally small municipalities, rural communities or special units of government such as public utility districts or conservancy districts.

3. Collection Procedures Analysis

a. The Federal Reserve Bank (FRB) of Richmond, being HUD's fiscal agent as well as its custodial agent, sends semi-annual billings for interest payments or annual billings for principal payments to the borrowers Paying Agent with a copy of the billing to the borrower.

b. In the event that payment is not received by the 15th of the month following the billing, a follow-up letter is sent as a reminder by the FRB with a copy to the Programs Liquidation Branch.

c. The Programs Liquidation Branch sends a copy together with instructions to the Regional Office which contacts the borrower to ascertain the reason for non-payment, assists in developing pay back schedules and, if necessary, helps to organize additional State or Federal assistance. A narrative report outlining the steps in resolving these problem cases must be submitted to Central Office by the first of the next month.

d. In addition, a delinquency report compiled and typed from data furnished by the FRB, Richmond, is distributed to each Regional Program Liquidation Specialist as a reminder of the total outstanding delinquencies in his/her region and as an aid in loan servicing.

4. Major Problems or Issues in Collection of Debt

Since a major percentage of the outstanding bond issues depend on facility net income for the payment of debt service and other required funding, those projects that are unable to generate sufficient income over and above reasonable maintenance and operating expenses are delinquent, but not necessarily in default. The only lien, in the majority of these cases, is a first lien on net revenues. The trust indenture reciting the lien provisions also states that the borrower will establish rates sufficient to pay maintenance and operating expenses and to make the debt service payments and deposits to the required funds. In areas of economic depression, the utility districts, municipalities and other special units of government have often refused to increase rates as needed to improve income. In these instances, HUD has had difficulty in forcing the issue. Therefore, it has been HUD's policy to carry these projects in a delinquent status while our regional Program Liquidation Specialist continues to work with the borrower in resolving the problem. The attempted resolution of these problems requires the program specialists to seek the assistance of other state and federal agencies, such as Farmers Home Administration and the Economic Development Agency.

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MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: PUBLIC FACILITIES LOANS	Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A. Debt to HUD	1,479	$ 436,061	49	$ 6,511	3.3	$ 1.49
B. Other Claims (Please explain)						
C. Sustained Audit Findings						
Totals	1,479	436,061	49	$ 6,511	3.3	1.49

Footnote: There are 4 projects with a total delinquency of $2,749,636 equal to .0063% outstanding balance that are under special informal prepayment schedule that are not included in the above delinquent total. These projects are current according to their repayment schedules and all delinquencies will be paid by the Maturity date of the bonds.

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GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

	Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
	PUBLIC FACILITIES LOANS										
A.	Dollar Balance Outstanding	- 0 -	$778,687	$1,019,903	$2,132,794	$225,477	$1,751,957	$80,300	$520,765	- 0 -	$ 823
B.	Number of Accounts	- 0 -	1	5	21	1	13	1	6	- 0 -	1

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C.	Field Office:	1 Atlanta	2 Fort Worth	3 Philadelphia
D.	Balance Outstanding: (in thousands)	$ 2,132,794	$ 1,751,957	$ 1,019,903

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E.	Field Office:	1 Atlanta	2 Fort Worth	3 Denver
F.	Number of Accounts:	21	13	6

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

Type of Debtor: Public/Non-profit

PART III - RESPONSIBLE OFFICIALS AND RESOURCES NEEDED

Responsible Officials

The Program Liquidation Specialist in the Regional Office of Housing is the person responsible for the servicing of PFL loans.

Resources/Assistance Needed

The current allocation of 16 PFTs and man years is considered adequate for the effective serving of the PFL loans.

The task force could consider changing the present restriction against offsetting Community Development Block Grants.

REVOLVING FUND

PREFABRICATED HOUSING LOAN PROGAM

1. Program Description

The prefabricated housing loan program consists of a purchase money mortgage on the Aleutian Homes property. These were authorized under Reorganization Plan No. 23 of 1950 (5. U.S.C. 1332-15 note) including Section 102-102c of the Housing Act of 1948 (12 U.S.C. 1701-1701 g-3): Section 104 of the Defense Housing and Community Facilities and Service Act of 1951 (42 U.S.C. 1591C) and Section 401 of the Independent Offices Appropriation Act of 1952 (12 U.S.C. 1701-g-4). The original mortgage of $1,651,020 is currently down to $324,109 and matures in 1990. Initially, there were 336 houses and 54 lots. To date, 162 houses and 38 lots have been released.

2. Description of Delinquent Debt Generated Under Program

There are no delinquencies - Mortgage is due to be paid in full by 1990.

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MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Prefabricated Housing Loan Program (Aleutian Homes)		Number of Accounts (in 100's) (Actual)	Approximate Dollar Balance Outstanding (in millions) (Actual)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	174 homes 16 lots	$324,109	-0-	-0-	-0-	-0-
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	1.9	$324,109	-0-	-0-	-0-	-0-

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GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt: Prefabricated Housing Loan Program (Aleutian Homes)	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Dollar Balance Outstanding	0	0	0	0	0	0	0	0	0	$324,109
B. Number of Accounts	0	0	0	0	0	0	0	0	0	174 houses 16 lots

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. ~~Field Office~~ Regional Office:	1 Seattle	2	3
D. Balance Outstanding: (in thousands)	324		

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. ~~Field Office~~ Regional Office:	1 0	2	3
F. Number of Accounts:	0		

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Public

REVOLVING FUND

DEFENSE COMMUNITY FACILITIES PROGRAM

1. Program Description

The defense community facilities program consists of six remaining municipal bond issues that are secured in general by the revenues of public works projects. These were authorized under Title III of the Defense Community Facilities and Services Act of 1951 (42 U.S.C. 1592-159n).

2. Description of Delinquent Debt Generated Under Program

There are no delinquencies - all issues are current.

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MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Defense Community Facilities (CF)		Number of Accounts ~~(in 100's)~~ (Actual)	Approximate Dollar Balance Outstanding ~~(in millions)~~ (Actual)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	6	$389,000	-0-	-0-	-0-	-0-
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	6	$389,000	0	0	0	0

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GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt: Defense Community Facilities Program (CF)	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Dollar Balance Outstanding	0	0	0	$213,000	$176,000	0	0	0	0	0
B. Number of Accounts	0	0	0	5	1	0	0	0	0	0

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. ~~Field Offices~~ Regional Office:	1 Atlanta	2 Chicago	3
D. Balance Outstanding: (in thousands)	$213	$176	

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. ~~Field Offices~~ Regional Office:	1 0	2 0	3
F. Number of Accounts:			

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Public

REVOLVING FUND

PUBLIC AGENCY LOANS PROGRAM (RECONSTRUCTION FINANCE CORP.)

1. Program Description

The public agency loans program was authorized under Section 103 of the Reconstruction Finance Corporation Act (40 U.S.C. 4590) and Reorganization Plan No. 1 of 1957 (15 U.S.C. 1332-15 note) including Section 7 of the RFC Act of 1951 (42 U.S.C. 1592-1592N). The program originally consisted of 25 municipal bond issues that are secured, in general, by the revenues of various public works such as water, sewer, and irrigation projects. There are presently 14 issues valued at $1,525,250. They are HUD-owned and held by the Federal Reserve Bank of Richmond, Va., except for the Hartford, Arkansas, Waterworks Revenue Bonds and the Chicago Tax Anticipation Warrants that are held by HUD. The bonds mature serially from 1976 through 1987 with the exception of Robbins, Illinois, which has a $1,445,000 principal payment due in the year 2010.

2. Description of Delinquent Debt Generated Under Program

All issues are current except for interest due on the Robbins issue, the Hartford, Arkansas, bonds and the Chicago Tax Anticipation Warrants. The latter two projects were referred to the HUD Departmental Claims Collection Officer under the Federal Claims Collection Act of 1966 and subsequently to GAO with a recommendation that the indebtedness be written off. GAO has notified Hartford, Arkansas, that it would not initiate any further effort to collect the debt; however, no word has yet been received as to disposition of the HUD recommendation on the Chicago Tax Anticipation Warrants. In the case of The Village of Robbins which is delinquent on interest payments in the amount of $81,000, a case is pending in the courts which prevents an increase in the water rates needed in order to cure the delinquency.

3. Collection Procedures Analysis

In view of the variation in the nature of the indebtedness supported by these obligations, no standardized policies on delinquencies could be developed and because of the small volume involved none are needed. Ad hoc action is taken in each case.

4. Major Problems on Issues on Collection of Debt

None

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PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Public Agency Loans (RFC)		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	14	$1,525,250	1	$81,100		
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals	14	$1,525,250	1	$81,100		

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt: Public Agency Loans (RFC)	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Dollar Balance Outstanding	0	0	0	$16,000	$1,457,000	$28,250	0	$24,000	0	0
B. Number of Accounts	0	0	0	3	2	8	0	1	0	0

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. ~~Field Office:~~ Regional Office:	1 Chicago	2 Fort Worth	3 Denver
D. Balance Outstanding: (in thousands)	$1,457,000	$28,250	$24,000

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. ~~Field Offices~~ Regional Office:	1 Chicago	2 0	3 0
F. Number of Accounts:	1		

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Public

REVOLVING FUND

WAR PUBLIC WORKS PROGRAM

1. Program Description

The war public works program was authorized under Title II of Lanham Act (48 U.S.C. 484-484C) and consists of (1) the Hampton Roads, Virginia, sewer revenue bonds which have a par value of $1,345,000 earning 2 1/2% and serially matures in 1984; and (2) the lease of a public water works project at Newport, Rhode Island, that has no value. The lease of the Newport facilities terminates in 1982 at which time the property is transferred to the City of Newport, R.I.

2. Description of Delinquent Debt Generated Under Program

There are no delinquencies.

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: War Public Works Program		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding ~~(in millions)~~ (Actual)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD		$56,000	0	0	0	0
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals		$56,000	0	0	0	0

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

	Category of Debt: War Public Works Program	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A.	Dollar Balance Outstanding	0	0	$56,000	0	0	0	0	0	0	0
B.	Number of Accounts	0	0	1	0	0	0	0	0	0	0

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C.	~~Field Office~~ Regional Office:	1 Philadelphia	2	3
D.	Balance Outstanding: (in thousands)	56		

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E.	~~Field Office~~ Regional Office:	1 0	2	3
F.	Number of Accounts:	0		

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Public

REVOLVING FUND

ALASKA HOUSING PROGRAM (NUNAKA VALLEY)

1. Program Description

The Alaska housing program consists of two bond issues of the Alaska State Housing Authority that are secured by the general credit of the Authority and the pledge of mortgages on real property. The Series "A" bonds of $1,252,809 were paid in full in 1976. The Series "B" bonds are due to be paid in 1985.

2. Description of Delinquent Debt Generated Under Program

There are no delinquencies.

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Alaska Housing Program (Nunaka Valley)		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding ~~(in millions)~~ (Actual)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD		$809,390	0	0	0	0
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals		$809,390	0	0	0	0

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
Alaska Housing Program (Nunaka Valley)	0	0	0	0	0	0	0	0	0	$809,390

A. Dollar Balance Outstanding

B. Number of Accounts

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. ~~Field Officer~~ Regional Office: 1 Seattle 2 _____ 3 _____

D. Balance Outstanding: (in thousands) $809 _____ _____

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. ~~Field Officer~~ Regional Office: 1 0 2 _____ 3 _____

F. Number of Accounts: 0 _____ _____

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Public

1969 and 1970 Alaska Remote Housing Programs

1. Program Description.

Section 1004 of the 1966 Demonstration Cities and Metropolitan Development Act, 42 U.S.C. 3371, authorized the Secretary of Housing and Urban Development to make loans and grants to the State of Alaska or any authorized agency to assist in the provision of housing and related facilities for Alaska natives and other low-income Alaska residents, in accordance with a statewide program. Initially, the average cost per dwelling unit could not exceed $7,500; but the maximum amount was increased to $10,875 by the Housing and Urban Development Act of 1969. Grants were limited to 75 percent of the aggregate cost of housing and related facilities. The statute authorized 10 million to be appropriated for the program. An appropriation of $1 million was approved in the 1969 HUD appropriation act and an additional $1 million was approved in the 1970 appropriation act. The unappropriated authorization is currently $8 million.

The State of Alaska designated the Alaska State Housing Authority (ASHA) as the corporate body responsible for administration of the program. Subsequently, a state housing plan was prepared and was generally approved by the Secretary of HUD on February 19, 1969. In fiscal year 1969, a contract for $1 million was executed by the Department with ASHA and the second $1 million was made available in fiscal year 1970. Construction was initiated in the fall of 1969 on 159 new and eight rehabilitated units in ten villages. An additional 176 new and three rehabilitated units in eight villages were placed under construction by the fall of 1970. Altogether, the program provided 346 homeownership units.

2. Description of Delinquent Debt Generated Under Program.

Loan repayments by Alaska Native participants were to be placed in a revolving fund established and maintained by ASHA. Based on the amount of loans and grants made by ASHA, a computation was to be made of the portion of each appropriation which was repayable by ASHA to the Federal Government as a loan. In no event was the grant portion to exceed a sum equal to 75 percent of the aggregate cost of the housing.

HUD auditors in the Office of Inspector General have found that the loan portion made to the State under the 1969 and 1970 programs equalled $469,824.24 ($231,689.62 for the 1969 program and $238,134.62 for the 1970 program). In addition, simple interest totaling $310,378.08 is also due to HUD on the loan advances ($146,505.59 for the 1969 program and $163,872.49 for the 1970 program).

3. Collection Procedures Analysis.

Contracts were entered into in 1969 and 1970, between HUD and ASHA, pursuant to Section 1004 of the 1966 Act. The contracts provided, in Section 1(b), that "no later than three years after the last advance of money under this Contract is made to the Authority, an accounting shall be made between the Government and the Authority at which time the amount to be attributable to grants and the amount to be attributable to loans shall be determined, and the Authority shall immediately thereafter execute the abovementioned Note for the amount of the loan."

ASHA failed to comply with HUD contract requirements by not executing a Note for the amount of the loan monies advanced by HUD under the 1969 and 1970 Remote Housing programs.

4. Major Problems or Issues in Collection of Debt.

ASHA has refused to execute a Note for the amount of the loan monies advanced by HUD. To date no repayment has been made, and ASHA has made it clear it intends to make none in the future. ASHA maintains that it has no money with which to repay the loan since the program has been a "financial failure". The prospective Alaska Native home-buyers did not meet their obligations under the terms of their loans from ASHA because the homes deteriorated rapidly. ASHA admits its "abandonment" of the program.

In a class action lawsuit against ASHA and HUD by occupants of these homes, the United States District Court for Alaska ruled that HUD had a trust responsibility to these Alaska Natives. HUD negotiated an out-of-court settlement which will provide replacement homes under the Indian Mutual Help Homeownership Program to those members of the class who choose to participate in this settlement. Almost all occupants of the 1969 and 1970 Alaska Remote Housing programs have chosen to participate in this settlement.

In order to address this debt collection impasse, the Anchorage Area Office should notify the Alaska State government and request their assistance since they executed a Cooperation Agreement with ASHA and authorized ASHA to administer this program as an agent of the State of Alaska. This would probably take 3-6 months because of the parties involved (ASHA, HUD, and the State).

Should the State fail to assist HUD in this debt collection, it is possible to institute a lawsuit against ASHA to obtain a court order requiring the Authority to sign the Notes and pay back the interest. Legal action against ASHA requires Headquarters approval plus Department of Justice and U.S. Attorney concurrence and action. This approach would take approximately 4-6 months.

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Alaska Remote Housing Loans		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD		0.47 Mil. (Loans)		0.47 Mil. (Loans)		
B.	Other Claims (Please explain)		0.31 Mil. (Interest as of 03-31-81)		0.31 Mil. (Interest as of 03-31-81)		
C.	Sustained Audit Findings		0.47 Mil. (Loans) 0.23 Mil (Interest as of 03-31-78)		0.47 Mil. (Loans) 0.23 Mil. (Interest as of 03-31-78)		
	Totals		0.78 Mil. (Loans and Interest)		0.78 Mil. (Loans and Interest)		

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
Alaska Remote Housing Loans										
A. Dollar Balance Outstanding										0.78 Mil.
B. Number of Accounts										2

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

	1	2	3
C. Field Office:	Anchorage		
D. Balance Outstanding: (in thousands)	$780,000		

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

	1	2	3
E. Field Office:	Same as above		
F. Number of Accounts:			

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Agency of the Alaska State Government

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OFFICE OF MANAGEMENT

DEBT COLLECTION PLANS

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HEADQUARTERS HOUSING CLAIMS COLLECTIONS

I. Program Description:

The Director, Office of Management has been designated as the Claims Collection Officer for Headquarters, Housing with the responsibility of monitoring all Housing claims activities involving Headquarters staff. This function has been delegated by the Director to the Administrative Support Division. Essentially it consists of the following duties:

1. Ensuring that each Headquarters Housing program office where claims might arise or to which claims might be referred by the field offices has a claims collection officer.

2. Ensuring that each Headquarters Housing claims collection officer with active claims prepares and submits a monthly report to the Departmental Claims Collection Officer in the Office of Finance and Accounting (OFA).

3. Serving as a point of contact if a claim is referred to Headquarters for review or recommendations as to a course of action to see that it is properly assigned and followed-up.

4. Providing special studies or assisting in the collection of information regarding Housing claims collection activities as needed. This has involved working with three different Departmental task forces in the past two years.

II. Major Problems:

The principal problem concerning the effective management of the claims collection system in HUD is that of accountability. Headquarters Housing establishes policies and procedures regarding Housing's various programs. OFA establishes general claims collection policies and procedures. OFA also keeps the accounting records for all claims. Furthermore, in a few selected areas (for example, mortgage insurance premiums) it also does the billing and collecting for amounts due HUD. However, principal responsibility for pursuing claims collection rests with the field office directors and their program staffs.

Other problems that frequently have been encountered are:

1. Inability of OFA to provide timely and accurate figures regarding claims.

2. The inability of the Department to obtain legal action from the Department of Justice on claims referred to it as required in the Federal regulations.

3. The unwillingness or inability of some Headquarters units to vigorously monitor field office claims collection activity. Among other things, travel restrictions have hampered Headquarters in auditing field office claims efforts.

4. Repeated protests by the program offices that the field lacks the staff, resources, and training needed to agressively pursue the collection of claims.

III. Recommendations:

The Office of Management within the scope of its present resources proposes to do the following:

1. Provide a detailed review of the debt collection plans being prepared by the program offices for the Assistant Secretary's consideration to avoid conflicts or contradictions among the different plans.

2. Expand its audit tracking system to include monitoring of field office claims efforts regarding sustained audit findings (see separate audit statement for details).

3. Work with the program offices to develop requests for contracting services to be submitted to the Office of Procurement and Contracts if the decision is made and funds are found for contracting out some claims collection activity.

4. If you wish debt collection to be a top priority, then we would recommend including in the Goals and Objectives of the EPAS for each housing executive the requirement that they take whatever action you might wish to specify in order to more efficiently manage any government debt for which they might be responsible or to reduce the outstanding amount of this debt. A word of caution, however: Questions frequently have been raised as to whether or not Headquarters Housing executives have adequate authority to be held fully accountable for program results at the operating level in the field offices. Given the Department's decentralized structure, we may encounter problems with the suggested approach.

Audit

The following describes an area of the audit management process in which our debt collection efforts have been less than adequate.

Under the Audits Management System, External Audit findings which are not cleared within prescribed timeframes by Regional and Field Offices are referred to the Office of Management for resolution at the Headquarters level. The Audits Management System (AMS) is part of the Department's audit process. The AMS assures continued interest of HUD top managers who are repsonsible for taking closing actions on audit findings and recommendations. The system is management's most important tool for follow-up and clearance of unresolved audits.

Delinquent Debts

Costs identified in audit reports after having been concurred on by appropriate program officials are considered as sustained. In such cases, the recipient of the program funds must make restitution or take other corrective action. The sustained cost amounts are generally referred to Regional Claims Collection Officers for recovery. The debtors may be grantees, borrowers, mortgagors, mortgagees and other HUD program participants.

Since referring debts to Regional Claims Collection Officers many times does not result in disposition of the debts, we recommend that a directive be forwarded to the Regional Offices outlining specific steps to be taken to establish an effective debt collection procedure. Built into the system should be a mechanism that assures Headquarters that debts are in fact collected.

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COMMUNITY PLANNING AND DEVELOPMENT

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SECTION 312

Rehabilitation Loan Program

1. Program Description

Section 312 of the Housing Act of 1964 (42 USC 1452 b) as amended, provides for direct, long term (up to 20 years), low interest (3%) loans to property owners and certain nonresidential tenants for the rehabilitation of residential, nonresidential, and mixed use property. Section 312 loans are made from a revolving Rehabilitation Loan Fund, which consists of congressionally appropriated funds and loan repayments. Section 312 is intended to make financing available primarily to low and moderate income persons for the rehabilitation of properties located in areas where loans with comparable terms and conditions are generally not available.

2. Description of Delinquent Debt Generated Under Program

The debt incurred by the borrower of a Section 312 loan is the principal balance and interest accrued at 3 percent per year. This debt is amortized over the term of the loan and is to be paid back in equal monthly installments.

The debt is considered seriously delinquent when it is 31 days or more past due.

Since the inception of the program, approximately 85 percent of the loans have been made to owners of one to four unit properties and 15 percent to investor owners of small multifamily and nonresidential properties. Only a very small portion (1%) of the investor owners are nonprofit corporations, so that the overwhelming majority of loans are to the general public.

The northeast and midwest have the highest balances and number of debts as could be expected from the purpose of the Section 312 program, which directs usage primarily to the concentrated, single family, low income target areas of the nation's older cities.

3. Collection Procedures Analysis

The Section 312 loan portfolio (64,600 loans; $668,000,000 principal balance) is divided into two groups. One group of 56,700 loans ($601,000,000 principal balance) is serviced by the Federal National Mortgage Association (FNMA) through its contracts with approximately 50 private servicers across the country. The other group of 8,000 loans (principal balance of $66,000,000) is serviced directly by HUD through a 15 person Debt Collection Unit in CPD Headquarters with the part time assistance of approximately 120 Rehabilitation Management Specialists in the 40 area offices nationwide.

FNMA Servicing

The HUD agreement with FNMA to administer the basic loan portfolio passes through GNMA; however all contacts concerning policy and procedural issues and day-to-day operations are directly between CPD and FNMA. Under the present procedures, the private servicer maintains contact with the borrower, issues bills and processes payments. If a loan falls delinquent, the servicer attempts to resolve it by requiring a lump sum payment or entering into a forbearance or extended repayment agreement. If unsuccessful and the loan becomes 90 days overdue, the servicer forwards the loan file to the local agency which originated the loan. That agency then has 60 days to work with the borrower to resolve the loan. If not resolved and returned to the servicer within the 60-day period, the loan is forwarded to HUD Headquarters Debt Collection Unit for foreclosure, judgment or write-off. At this time, Headquarters receives about 60 such referrals each month. The following illustrates a typical case in the FNMA Section 312 loan portfolio.

SECTION 312 SERVICING OF LOANS IN FNMA PORTFOLIO -- TYPICAL CASE

1. FNMA Servicer conducts normal, aggressive collection efforts, with bills, calls and visits to the borrower, and formal written delinquency notices.

2. If a loan becomes 90 days delinquent despite the servicer's efforts, it is referred to the LPA which originated the case to attempt contact with the borrower and to arrange a workout agreement with the assistance of the HUD Area Office.

3. If the loan becomes 150 days delinquent despite the efforts of the LPA and Area Office staff, it is referred to the Headquarters CPD Debt Collection Unit for legal action or charge off.

4. If, within the 60-day LPA review period, the loan is brought current by a lump sum payment or a workout agreement is arranged, the loan is returned to the FNMA Servicer to resume normal collections.

5. If the loan, once it is back at the FNMA Servicer, becomes 60 days delinquent, it is returned to the Headquarters CPD Debt Collection Unit for legal action or charge off.

6. When a loan is returned to the Headquarters CPD Debt Collection Unit, it is reviewed and legal action or charge off is initiated. If during the review it is discovered that the loan was not properly serviced and that a workout agreement or lump sum payment can be achieved, the workout arrangement is made and the LPA, Area Office, and FNMA Servicer are notified of the action.

7. If the loan is worked out by the Debt Collection Branch, it is serviced by the branch for 90 days to ensure adherence to the agreement, and is then returned to FNMA for normal servicing.

8. As in #5 above, once the loan is back to the FNMA Servicer and it becomes delinquent again for 60 days, it is returned to Headquarters for legal action, or charge off.

9. For loans not worked out by Headquarters or which are returned by FNMA a second time, the case is referred to OGC for foreclosure or judgment, or is charged off by the CPD or Departmental Claims Collection Officer.

10. OGC assigns all Single Family Cases which require foreclosure to a private attorney. All multifamily and single family judgment cases, and multifamily foreclosure cases are forwarded to the Department of Justice for action.

11. Once foreclosure is completed, the property is conveyed to the Area Office Property Disposition staff for management and sale, with the proceeds being returned to the Section 312 account to liquidate the outstanding debt.

HUD Direct Servicing

Most of the loans in the HUD portion of the portfolio were returned from the FNMA servicers to HUD prior to the takeover of the Section 312 loan servicing function by CPD in October 1979. Before that date the Housing Title I staff handled collection on these loans. At the time of the takeover, there were over 8,200 severely delinquent accounts to be collected. About 5,000 delinquent accounts have been either brought current, put under an extended repayment agreement, put into foreclosure or judgment, or administratively charged off according to the procedures detailed below. After adding new delinquencies (now running at the rate of 60 per month), the HUD-serviced portfolio of seriously delinquent loans in April 1981 was about 4,900. The delinquency rate of loans over 31 days delinquent has dropped from a high of 19% reached in early 1980 to 11% today.

The CPD Headquarters Debt Collection Unit contains 3 permanent staff and a temporary team of 12 individuals with strong private sector servicing backgrounds. Shortly before the October 1979 transfer of the function to CPD, the collection of payment on the HUD-serviced accounts was centralized in a unit under the HUD Office of Finance and Accounts located in Philadelphia. That unit also issues monthly bills to delinquent borrowers and disburses payments for taxes and insurance from escrow accounts. A computerized loan processing information system with a Headquarters CRT display unit was installed which provides immediate account information to the Debt Collection Unit and up-to-date management reports. A computerized nationwide credit information capability ($1.50 per case) has been installed to replace the time consuming and expensive purchase of credit reports ($12 - $40 per case). (Before centralization, payments were sent to HUD field offices and manually posted and processed. Headquarters had one person to respond to field office referrals and recommendations; hence, the multiyear delays.)

The Headquarters Debt Collection Unit oversees, trains and provides technical assistance to Area Office CPD staff who are working to resolve the delinquent loan backlog; develops and implements servicing procedures; prepares recommendations on complex cases; and resolves some of the 60 new delinquencies received each month (when it determines that a loan has been improperly serviced by FNMA's private servicers or local Area Office/local staff). Final decisions on foreclosures, judgments, write-offs, compromises, and assumptions referred to Headquarters are made by the Director of the Office of Urban Rehabilitation, CPD.

In some cases, it is possible to obtain a lump sum payment of the arrearage or to bring the loan current through a short term forbearance or repayment agreement. However, because many loan delinquencies are very large and inadequate HUD loan servicing usually contributed to the problem, it has been our normal practice to provide delinquent borrowers with an opportunity to agree to a new repayment schedule in which all of the funds owed are reamortized over the entire remaining life of the loan. However, if a borrower signs any such work-out agreement and then fails to meet his new payment obligations, the Debt Collection Unit presses firmly for collection through foreclosure or judgment. In the past 10 months the necessary documents have been assembled and OGC requested to institute foreclosure proceedings or file for a judgment in over 300 cases. (This compares with an estimated 75 cases forwarded to OGC in the previous 15 years.) The following illustrates the step-by-step procedures in servicing a typical case in the HUD-serviced Section 312 loan portfolio.

SECTION 312 DELINQUENT LOAN RESOLUTION PROCESS FOR LOANS IN HUD-SERVICED PORTFOLIO IN OCTOBER 1979--TYPICAL CASE

1. Area Office CPD Rehabilitation Management Specialist, with assistance of the Headquarters CPD Debt Collection Unit, LPA staff, and FNMA Servicers attempts to resolve the severely delinquent accounts by contacting the borrower and trying to arrange some form of workout agreement (lump sum, partial lump sum, or extended repayment agreement).

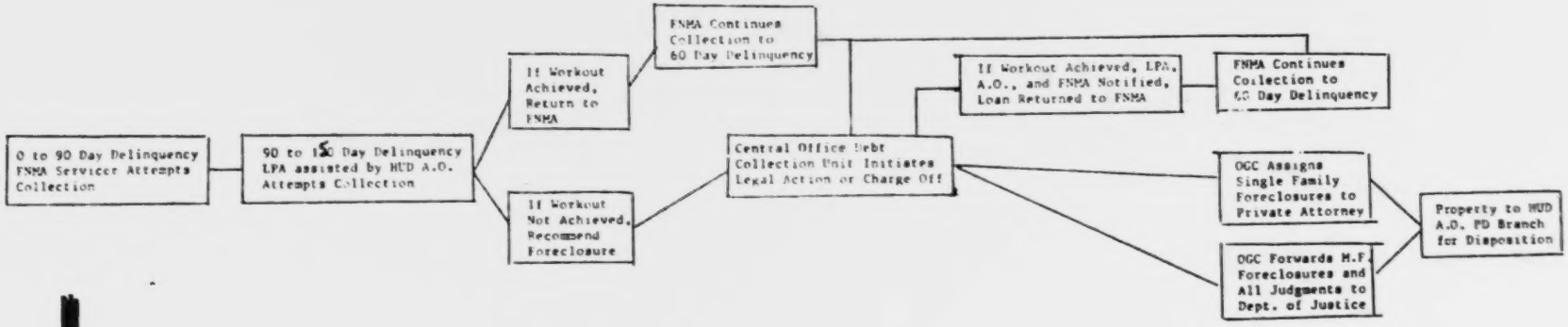
2. If a repayment agreement is achieved, the area office monitors the account by means of periodic reports from OFA in Philadelphia (which makes the actual collections) and can return it to the FNMA Servicer if it does not become delinquent again for 90 days.

3. If a repayment agreement is not achieved, the area office staff recommends legal action to the Debt Collection Unit. Or, if the loan is judged uncollectable, it is recommended for administrative charge off.

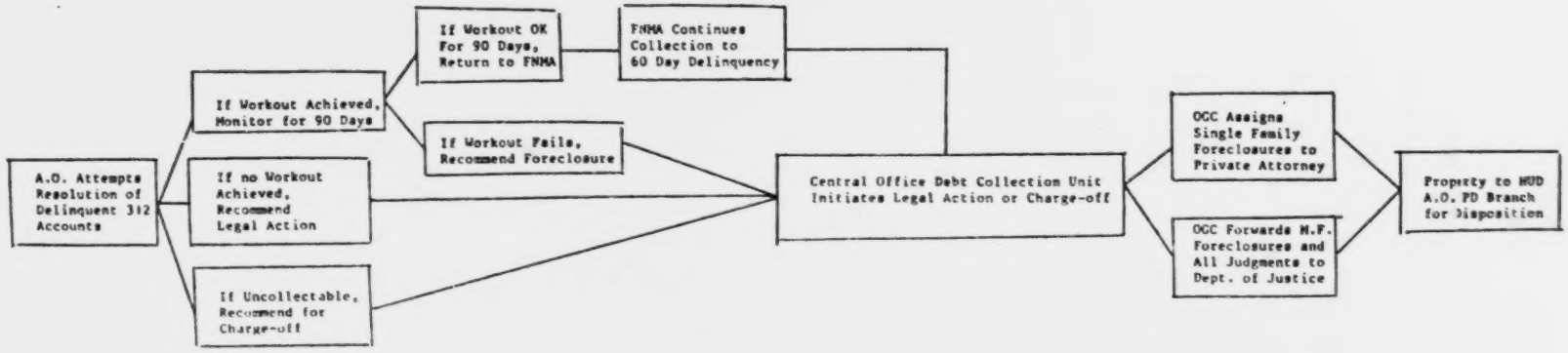
4. The FNMA servicer continues collection on loans made current under a workout agreement until they are paid in full or until a delinquency of 60 days occurs. When the delinquency happens, the loan is returned immediately to the Headquarters Debt Collection Unit to initiate legal action or charge off.

5. The actions to initiate legal action, charge off, and property disposition are the same as in the illustrative case described above.

SECTION 312 SERVICING PROCESS FOR LOANS IN FNMA PORTFOLIO


0 to 90 Day Delinquency FNMA Servicer Attempts Collection
90 to 150 Day Delinquency LPA assisted by HUD A.O. Attempts Collection
If Workout Achieved, Return to FNMA
FNMA Continues Collection to 60 Day Delinquency
If Workout Not Achieved, Recommend Foreclosure
Central Office Debt Collection Unit Initiates Legal Action or Charge Off
If Workout Achieved, LPA, A.O., and FNMA Notified, Loan Returned to FNMA
FNMA Continues Collection to 60 Day Delinquency
OGC Assigns Single Family Foreclosures to Private Attorney
OGC Forwards M.F. Foreclosures and All Judgments to Dept. of Justice
Property to HUD A.O. PD Branch for Disposition

SECTION 312 DELINQUENT LOAN RESOLUTION PROCESS FOR LOANS IN HUD-SERVICED PORTFOLIO


A.O. Attempts Resolution of Delinquent 312 Accounts
If Workout Achieved, Monitor for 90 Days
If Workout OK For 90 Days, Return to FNMA
FNMA Continues Collection to 60 Day Delinquency
If Workout Fails, Recommend Foreclosure
If no Workout Achieved, Recommend Legal Action
If Uncollectable, Recommend for Charge-off
Central Office Debt Collection Unit Initiates Legal Action or Charge-off
OGC Assigns Single Family Foreclosures to Private Attorney
OGC Forwards M.F. Foreclosures and All Judgments to Dept. of Justice
Property to HUD A.O. PD Branch for Disposition

4. Major Problems or Issues in Collection of Debt

In the 19 months since CPD took responsibility for the servicing of Section 312 loans, many improvements in collection procedures have been made as noted below:

- o A staff of expert consultants and temporary mortgage banking, legal and program analysis professionals was brought together in Headquarters.
- o Collections on severely delinquent accounts were centralized in Philadelphia and a computerized loan processing system was installed.
- o Monthly bills and dunning notices were sent to all delinquent borrowers, and management reports were provided to Headquarters and the field office collectors.
- o A Central CRT unit was installed in Headquarters to survey account information nationwide.
- o A contract was signed with IRS to use their 719 process to trace skipped borrowers through their income tax returns.
- o Procedures for uniform collection and delinquency resolution and the complex issues of assumption, subordination, bankruptcy, foreclosure, etc. were developed and implemented (CPD Notice 80-27 and 81-3 attached).
- o A new agreement was concluded with FNMA to enforce aggressive collection techniques and to involve the LPA's in delinquency resolution.
- o Procurement of a nationwide credit reporting capability with TRW was initiated so that the delinquency status of defaulted borrowers could be entered in their credit records.
- o HUD field staff was trained and provided daily technical assistance in all phases of borrower contact, delinquency resolution, and management of FNMA and LPA staff.
- o Routine use of standard mortgage banking tracking and tickler systems was instituted to provide close monitoring of payments, disbursements, contacts, etc. to ensure that the Government security was being protected.

The 8,200 plus severely delinquent loans in he HUD portfolio at the time of the CPD take over are scheduled to l e fully resolved by the end of FY 1981. Additionally, the Section 312 rogram will be operating at an extremely reduced level of origination, if at all. These two factors make the problems and issues confronting Section 312 debt collection different in the future than they have been in the pas* In particular:

A. National Collection Process

With an initially stable and eventually declining portfolio as the program winds down and loans are paid off, there is a question of what is the most economically feasible and beneficial method of servicing. The options are to (1) continue with FNMA and its contract servicers or (2) advertise for an alternative national servicer.

The primary advantage to continui-g the present system with FNMA is that it is an ongoing system; ·wever, the quality of servicing is not the best, and it has been fficult to obtain FNMA's agreement to implement required changes and nprovements.

Implementation of a contract for a new national servicer would require a substantial startup cost and would inevitably involve complications in the actual physic:l transfer of files and the transfer of data to another data system. On the other hand, it could compensate for the scheduled loss of HUD field staff; an incentive fee system would be included to improve the quality of servicing; and, a firm contract would maximize HUD's leverage to require changes and improvements as needs arise.

An additional consideration in deciding bet· en FNMA and advertisement for a new contractor is whether the Department might want a larger overall servicing contract to include programs other than Section 312.

Steps Planned	Timetable
Further study by Debt Collection Task Force	Report by January 1982

B. Residual Servicing Requirements

We did not include the servicing of the entire portfolio by HUD staff in the options listed above because we believe that t : is not a feasible consideration. The private market can do servicing much more efficiently than Government. However, the present statute (and proposed amendments) requires that the Department must retain ultimate decisionmaking responsibility for taking legal action or charging off loans. This means that some HUD involvement in servicing Section 312 loans is necessary.

If the current system of using FNMA continues, a small residual area office servicing staff and a Headquarters decisionmaking staff (permanent staff) and servicing staff (private contract staff) will be required to handle what should be a maximum delinquent loan portfolio of 3,000 cases (60,000 portfolio with a 5% delinquency rate). Assuming resumption of a small Section 312 loan program based on loan repayments only, less than 1,000 new delinquencies would be expected each year. The types of activities required are delinquency resolution, preparation of cases for legal action and charge off, and management of the FNMA collection process.

The options to be considered include (1) maintaining a permanent Area Office and/or Headquarters servicing staff which includes collection experts, accountants, lawyers, and management types, or (2) contracting out various portions of these functions and services (other than statutorily required functions).

We believe that HUD staff should be minimal. We recommend this option again because we believe that the private sector can perform most of the servicing functions at less cost than government.

Steps Planned or To Be Studied	Timetable
a. Loan Processing Service to provide accounting and management tracking of HUD held delinquent loans	a. RFP #HC-10612 to be advertised June 1981 and contractor selected in September 1981
b. Washington based services to provide collection, accounting, legal and management services on HUD held delinquent loans	b. 8(a) Procurement #HC-10617 to be executed in June 1981 with Comprehensive Marketing Systems, Inc. (CMS).
c. Assignment of all legal actions (foreclosure and judgment) to private attorneys	c. September 1981
d. Assignment of all property disposition to private mortgage banks	d. Under Study, report by September 1981
e. Sale of charge offs (where borrower has skipped and ordinary tracing efforts have failed) to collection agency at discounted rate	e. Under Study, report by September 1981
f. Sale of portion of the total portfolio to private market	f. Under Study, report by September 1981

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: 3% - 20 Yr. Loans		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of * Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	646	668	70	69	10.8	10.3
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals						

*Accounts 31 or more days delinquent

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt: 3% - 20 Yr. Loans	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Dollar Balance Outstanding	71,000,000 10.6 %	67,000,000 10.0 %	88,000,000 13.2 %	102,000,000 15.3 %	140,000,000 21.0 %	42,000,000 6.3 %	32,000,000 4.8 %	19,000,000 2.8 %	67,000,000 10.0 %	40,000,000 6.0 %
B. Number of Accounts	5,600 8.7%	5,200 8.0 %	10,800 16.7%	9,700 15.0%	15,500 24.0%	4,700 7.3%	3,200 5.0%	1,500 2.3%	5,400 8.4%	3,000 4.6%

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office:	1 Boston	2 Columbus	3 San Francisco
D. Balance Outstanding:	60,328,000 9.03%	34,893,000 5.22%	30,918,000 4.63%

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent* Accounts are:

E. Field Office:	1 Columbus	2 Boston	3 Detroit
F. Number of Accounts:	1,100	500	530

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: Consumer

* Accounts 31 or more days delinquent.

PART III

RESPONSIBLE OFFICIALS

1. Robert I. Dodge. III, Director, Office of Urban Rehabilitation
   Responsible for Section 312 origination and servicing policy and is CPD Claims Collection Officer responsible for decisionmaking on legal actions, charge-off, assumptions, partial releases, etc.

2. Raymond J. Solecki, Chief, Debt Collection Branch
   Responsible for daily management of FNMA servicers, Area Office and LPA coordination, and HUD direct servicing. Will be GTR on National Servicing Contract and CMS Contract. Alternate CPD Claims Collection Officer.

Resources/Assistance Needed

As noted in Part I, we expect the Debt Collection Task Force to study the question of a national servicing contract for 312 and other programs. We also expect the Task Force to pursue the statutory and administrative changes mentioned in the "General Policy Recommendations - Loan Servicing/ Debt Collection" which would improve overall departmental debt collection.

We request assistance in negotiating with the Department of Justice on the approval to assign all legal actions to private attorneys; and with PD on contracting out the property disposition function.

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Urban Renewal Program		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	.21	$12.8	0	0	0	0
B.	Other Claims * (Please explain)	.55	250.0	0	0	0	0
C.	Sustained Audit Findings						
	Totals	.76	$262.8	0	0	0	0

* Privately financed loans (guaranteed by HUD)

JUN - 4 1981

Part I

Narrative

Urban Renewal Program

1. Program Description

In the Urban Renewal Program there are 93 active federally assisted projects with federally guaranteed loans and direct federal loans outstanding.

As of March 31, 1981 there were:

a.	Direct federally financed loans	$12,800,000
b.	Privately financed loans	250,000,000
c.	Total	$262,800,000

Direct federally financed loans are loans from the U.S. Treasury to local public agencies that must be repaid by local public agencies from undisbursed federal grants, land proceeds from sale of real estate and other sources. If the sources are insufficient to pay the loans, then HUD must make payment. For HUD sources see next paragraph.

Privately financed loans to local public agencies are loans from banks and private investors and are guaranteed as to payment by the Secretary of HUD. The same resources are used for repayment as in direct federally financed loans. When these resources are insufficient to repay the loans, then the Secretary of HUD must make up the deficit from Reallocated Funds, Urban Renewal Recapture Funds and use of special CDBG statutory authority which permits the Secretary to deduct up to 20 percent of an entitlement city's annual CDBG Grant for loan and or interest payment.

2. Description of Delinquent Debt Generated Under Program

At any time a determination is made by the HUD Area Office that an Urban Renewal Project financial resources are insufficient to pay the principal and interest due on the loan, then the Area Office Manager is authorized to take appropriate action to eliminate and or reduce the deficit. These actions include:

a. 20 percent deduction of CDBG Grant for payment on direct or privately financial loans.

b. Reduction in amount of additional borrowing authority that has been authorized under the government contract with the local public agency.

c. Application to the Central Office for special grant funds, if available, to reduce or eliminate the debt.

d. Request additional funds from locality.

The debtors are public agencies. Regions I, II, III and IX have the greatest debt exposure.

3. Collection Procedures Analysis

When a HUD Area Office determines that there are insufficient project financial resources to pay any deficit on the project private or direct loan the HUD Area Office Manager takes one or more of the following actions:

a. 20 percent deduction of CDBG Entitlement Funds for the community.

b. Reduction in additional borrowing authority.

c. Application to Central Office for any special grant funds available.

d. Request for additional funds from locality.

4. Major Problems or Issues in Collection of Debt

The major problem that can occur is when the above actions do not provide sufficient funds to pay the deficit on the loan involved.

Additional special grant funds need to be obtained from Congress.

If additional grant funds must be requested from the Congress, then that request would be made when it is determined that all other sources are insufficient to eliminate the deficit.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
Urban Renewal										
A. Dollar Balance Outstanding	$17.1 6.51%	75.6 28.77%	67.0 25.49%	15.3 5.82%	4.6 1.75%	0 0%	5.3 2.02%	1.1 .42%	76.7 29.19%	0 0%
B. Number of Accounts	14	23	14	7	3	0	2	1	12	0

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office:	1 D.C. Area Office	2 Newark Area Office	3 San Francisco Area Office
D. Balance Outstanding:	$58,508,940 22.26%	$50,678,018 19.28%	$40,840,000 15.54%

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office:	1 no delinquencies	2 no delinquencies	3 no delinquencies
F. Number of Accounts:	none	none	none

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: **Private Investors (Business)**

Part III - Responsible Officials and Resources Needed

Responsible Officials

The responsible official for debt collection and protection of the Federal financial interest at the working level are as follows:

Area Office - Area Office Manager and CPD Division Director

Regional Office - Regional Director for CPD

You may contact Thomas H. Terrell at X51871 for questions about the entire plan.

Resources/Assistance Needed

The present plan of evaluating each loan when the private market notes mature and continuous monitoring of direct federal loans by the CPD Division Director, Area Office Finance Specialist and the Regional Office CPD and Regional Accounting Division personnel is believed to be sufficient.

Section 108 Loan Guarantees

1. Program Description

Under Section 108, HUD guarantees notes issued by units of general local government or their designated public agencies. These notes are issued to finance acquisition of real property and rehabilitation of publicly-owned real property plus related activities, such as public improvements. All activities proposed under Section 108 must meet Community Development Block Grant (CDBG) program criteria. The community receiving Section 108 assistance must pledge its current and future CDBG grants as security for the guarantee.

2. Description of Delinquent Debt Generated under Program

There is no debt currently owed to HUD under Section 108, nor is any anticipated. Under the contract for loan guarantee assistance executed at the time a promissory note is issued, the community agrees to allow HUD to make payment to the lender for any amount owed under the note from pledged grants if funds have not been provided from another source by a specified date. Thus, there is a procedure which avoids defaults or delinquencies.

3. Collection Procedures Analysis

As noted above, there are no delinquent debts owed to HUD and we do not expect any.

4. Major Problems or Issues in Collection of Debt

Not applicable for the reasons stated above.

Responsible Official

Don I. Patch, Acting Director
Office of Block Grant Assistance
CPD

Resources/Assistant Needed

None, for the reasons noted in Part I.

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PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Section 108 Loan Guarantees		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	As noted in Part I hereof, no debt is owed to HUD under Section 108.					
B.	Other Claims (Please explain)						
C.	Sustained Audit Findings						
	Totals						

PART II - STATISTICS
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GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
Section 108 Loan Guarantees										

A. Dollar Balance Outstanding — As noted in Part I hereof, no debt is owed to HUD under Section 108.

B. Number of Accounts

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office:	1	2	3
D. Balance Outstanding: (in thousands)			

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office:	1	2	3
F. Number of Accounts:			

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor:

Community Development Block Grant Program
Sustained Audit Findings

1. Program Description

Under Title I of the Housing and Community Development Act of 1974, as amended, HUD makes grants to units of general local government and states for the funding of local community development programs. A wide range of physical, economic and social development activities are eligible, such as the acquisition and disposition of real property, construction of public facilities projects, rehabilitation of housing and business properties, and provision of a variety of public services. These activities must principally benefit low- and moderate-income persons, or aid in the prevention or elimination of slums or blight, or meet community development needs having a particular urgency.

2. Description of Delinquent Debt Generated under Program

A delinquent debt is one which has not been repaid within 90 days of notification of an auditee that money is owed to HUD or to the grant or program account.

The debts arising are those resulting from questioned and disallowed costs under findings contained in external or project audit reports.

Debtors are program participants (i.e., units of general local government and States).

Summary data pertaining to sustained audit findings are not reported to Headquarters program staff. Information is unavailable, consequently, as to areas/regions that have the highest balances or number of debts owed.

3. Collection Procedures Analysis

The designated CPD program official in the field office is responsible for: (1) reviewing the audit report for questioned or disallowed costs; (2) evaluating the merits of the related finding; (3) obtaining the concurrence of the Regional Inspector General for Audit (RIGA) in any decision made with respect to sustaining or not sustaining amounts in the finding; and (4) notifying the program participants (recipients) of the decision, including the amounts of any monies due HUD or the grant or program account.

After a finding or any part of a finding involving questioned or disallowed costs has been sustained, the program official responsible for acting upon the audit report will complete items 1 through 14 on the Sustained Audit Finding Collection

Control Log (developed by the Department Claims Officer) and send the Claims Collection Officer (CCO) two copies. One copy of the log should be retained by the program official. The program office also will be responsible for providing the CCO with copies of any pertinent correspondence related to the finding and future information regarding additional sustained amounts, additional requests for payment or offset, or amounts that have been recovered. The future information could be provided by adding it to a copy of the log or transmitting a copy of any document that shows what action had taken place. A separate log sheet will be completed for each audit report so each report can be tracked separately.

Additionally, after a finding amount is sustained and specific amounts are (a) due HUD or (b) reimbursable to the grant or project account, the program official should include "collection" plans and schedules on the back of the control log. This will give the CCO the necessary information on whether there will be any collection problems that the CCO should know about.

Upon receipt of two copies of the control log from the program office, the CCO should: (1) contact the Audit Liaison Officer to obtain a copy of the related report; (2) forward a copy of the control log to the Regional Accounting Division, and (3) establish a recordkeeping system relating to sustained amounts. In addition, the CCO must make arrangements with the program office to receive information affecting sustained amounts that is generated subsequent to the CCO's receipt of the log. The CCO's must make arrangements with the program office to receive information affecting sustained amounts that is generated subsequent to the CCO's receipt of the log. The CCO's will be responsible for maintaining the Department's official copy of the log. The log must be complete and accurate in all respects and reconciled with RIGA records on a quarterly basis.

The number of demands for payment is required to be reported to the Secretary. Therefore, the CCO's will report the total number of payment demands made each month by program officials and themselves for each program. This information will be reported in the remarks section of the HUD Form 8036 that provides the details on collection activities related to audits.

The CCO will review the collection plans provided by program officials and determine whether collection action appears adequate. If this information is not routinely provided by program officials, it shall be obtained by the CCO. If the action appears inadequate, the CCO has the authority and responsibility under the Claims Collection Handbook to take the necessary action to recover the funds involved or direct further action be taken by program officials. (Paragraph 2-10, HUD Handbook 1900.25 (REV-1) Claims Collection.)

Steps planned	Time Table
a. Review the issue of when reimbursement is required (with OIG and Office of General Counsel)	a. Review completed by Aug. 1981
b. Issue guidelines to field staff	a. Sept. 1981

CCO's should only monitor program collection actions until claims are transferred to them. Upon receipt of a claim file from a program official, the CCO should establish one complete claim file and discard duplicate documentation. To prevent inaction by a program official, the CCO shall establish a 90-day suspense date from the date the costs are sustained (or less time if the program manager determines that recovery should take less time). At the end of the suspense period, the CCO will assess collection progress, discuss the situation with the program manager and proceed accordingly. If there is no reasonable assurance that the amounts owed will be recovered or offset in a timely manner, the claim should be transferred to the CCO.

Any amounts owed to HUD should be assessed proper interest charges in accordance with the June 26 and July 3, 1980 memorandums on interest charges issued by the Director, Office of Finance and Accounting. There may be exceptions to this under unusual circumstances, but the assessment of interest should provide an incentive for the program participants to respond in a timely manner. Each region's procedures should assure that interest due is included in collection actions especially when amounts owed are recovered through offsets.

The appropriate accounting office will receive a copy of the Sustained Audit Finding Collection Control Log for the CCO's and promptly record any outstanding amount as an account receivable. The logs will be filed by audit report name and retained as supporting documentation. Each audit report will be listed on a separate log sheet(s).

4. Major Problems or Issues in Collection of Debt

Lack of information about sustained amounts is one problem.

Steps Planned	Time Table
a. Initiate discussions with Office of Inspector General (OIG) to develop reports for use by program staff.	a. June 1981
b. Implement procedures to monitor collection efforts by field staff.	b. Sept. 1981

Confusion as to when repayment of disallowed amounts is required is another problem. Under CDBG program, a number of alternative actions (short of reimbursement) can be taken in response to deficiencies noted in audit findings. Ignorance of these alternatives may result in excessive disallowances/ sustained amounts/debts.

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PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: CDBG-Sustained Audit Findings	Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A. Debt to HUD	As noted in Part I hereof, the information requested is currently unavailable.					
B. Other Claims (Please explain)						
C. Sustained Audit Findings						
Totals						

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PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X

CDBG-Sustained Audit Findings

As noted in Part I hereof, the information requested is unavailable.

A. Dollar Balance Outstanding

B. Number of Accounts

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office: 1 _____ 2 _____ 3 _____

D. Balance Outstanding: (in thousands) _____ _____ _____

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office: 1 _____ 2 _____ 3 _____

F. Number of Accounts: _____ _____ _____

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. ype of Debtor: _____

Responsible Officials

Don I. Patch, Acting Director
Office of Block Grant Assistance
CPD
755-6587

Resources/Assistance Needed

None contemplated.

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GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

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PART I - THE NARRATIVE

1. Program Description

a. Mortgage Programs - Generally, these programs involve the purchase, warehousing and selling of mortgages in the secondary market. The programs are further described as follows:

(1) Special Assistance Functions (86-4205-0-3-371)

Provides support for various types of housing for which financing is not readily available -- low income subsidized housing as well as non-subsidized housing -- and to offset declines in mortgage lending and housing construction under some circumstances.

(2) Management and Liquidating Functions (86-4016-0-3-371)

Involves the managing and liquidating of a portfolio of mortgages formerly held by FNMA for the account of the U. S. Government.

(3) Emergency Mortgage Purchase Assistance (86-4207-0-3-371)

Was enacted by Congress in 1974. Legislation authorizes standby authority to purchase mortgages as a counter-cyclical tool when the Secretary finds that inflationary conditions and related governmental actions or other economic conditions are having a severely disproportionate effect on the housing industry and that a resulting reduction in the volume of home construction and acquisition threatens to severely affect the economy and to delay the achievement of national goals.

b. Mortgage-Backed Securities Program (86-4238-0-3-371) - Provides a means for channeling funds from the Nation's securities market into the housing market. The Government National Mortgage Association, for its part, pledges the full faith and credit guaranty of the United States government, on privately issued securities backed by pools of government-underwritten mortgages. Holders of the securities (the investors) receive a "pass through" of the principal and interest payments on the pool of mortgages, less specific amounts to cover servicing costs and certain GNMA fees. The GNMA guaranty assures the registered holder of the certificates of receiving the timely payment of scheduled monthly principal and interest whether collected or not and of certain prepayments and early recoveries of principal on the underlying mortgages.

2. Description of Delinquent Debt Generated Under Program

a. Mortgage Programs - All mortgages are considered delinquent if payment is not received within 30 days after payment due date, unless other arrangements are made with servicer. Presently the Atlanta area has the highest delinquency rate in single-family mortgages and the Chicago area has the highest delinquency rate in multi-family mortgages.

b. Mortgage-Backed Securities - Presently all advances made under the guaranty are considered delinquent if repayment of the advance is not received within 90 days of its disbursement.

3. Collection Procedures Analysis

a. Mortgage Programs - On single-family mortgages, delinquency collection procedures are followed for up to 90 days after delinquency for FHA and VA mortgages and after 60 days delinquency for conventional mortgages, at which time the servicer will normally recommend foreclosure, assignment, or that a deed in lieu of foreclosure be accepted, unless a workout arrangement can be entered into with the mortgagor. In recommending foreclosure, assignment, or a deed in lieu of foreclosure, the servicer submits a special request for approval by the contractor (FNMA or FHLMC). When approved, the servicer will take action to have the mortgage conveyed to FHA, VA or to foreclose. Mortgages which are not acceptable for conveyance are acquired by GNMA.

FHA insured project mortgages, which are serviced solely by FNMA are considered in default after 30 days delinquency, at which time GNMA is entitled to receive insurance benefits from HUD. HUD regulations require that (1) within 30 days after the mortgagee (GNMA) becomes eligible for benefits, a Notice of Default Status must be filed with HUD and (2) within 45 days of the time the mortgagee becomes eligible for insurance benefits, the mortgagee is required to give notice to HUD of its election either to (a) assign the mortgage to HUD or (b) acquire and convey title of the property to HUD.

b. Mortgage-Backed Securities Program - The collection of advances occurs primarily through the sale of servicing rights by GNMA to an approved substitute issuer and through legal actions based on recommendations of HUD's General Counsel. In those instances where the substitute servicer is granted a "hold harmless" agreement by GNMA, the substitute issuer attempts to collect any GNMA advances as well. Under such agreements the substitute issuer passes through to GNMA certain recoveries of principal and interest collected from mortgagors due through FHA and VA claims settlements. In some cases, legal actions against the defaulted issuer are pursued through the Justice Department.

4. Major Problems or Issues in Collection of Debt

(a) Mortgage Programs - GNMA's low delinquency rate associated with these programs reflect the fact that the present system is working adequately. No changes are planned.

(b) Mortgage-Backed Securities Program - GNMA has recently completed computerizing the process of reviewing MBS issuers' monthly accounting reports. This enhancement will provide more effective monitoring capabilities to help prevent and to detect instances of issuer default. Planned is an interface with FHA's Mortgage Insurance Accounting System (MIAS) to provide liquidation monitoring capabilities. The implementation of this system is contingent upon the implementation of MIAS and adequate ADP funds for GNMA to finance the interphase with MIAS.

Presently GNMA is reviewing the entire advance process. Particular attention is being focused on determining the method of repayment and approximate date a payment will be received prior to an advance being made to an issuer. Under this methodology, an advance will be considered delinquent if repayment is not received within 90 days after the predetermined date at which time repayment is anticipated.

Part III - Responsible Officials and Resources Needed

1. Responsible Officials

a. Mortgage Programs:

James Kozuch
Vice President, Mortgage Finance,
Room: 6204 HUD Bldg.
Phone Number - 755-5593

b. Mortgage-Backed Securities Program:

R. Frederick Taylor
Executive Vice President
Room: 6100 HUD Bldg.
Phone Number - 755-5926

2. Resources/Assistance Needed

a Mortgage Programs - None is required.

b. Mortgage-Backed Securities Program - Work can be completed with existing resources.

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Special Assistance Functions Fund		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of 2/ Accounts Delinquent (in 100's)	Approximate 2/ Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	559.9	$3,163.3	1.3	$ 1.4	.002	.0004
B.	Other Claims 1/ (Please explain)	2.3	$ 24.4	2.3	$24.4	100	100
C.	Sustained Audit Findings	--	--	--	--	--	--
	Totals	562.2	$3,187.7	3.6	$25.8	.006	.008

1/ Assignments or foreclosures in process.

2/ 90 days or more delinquent.

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PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Emergency Mortgage Purchase Assistance		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of 2/ Accounts Delinquent (in 100's)	Approximate 2/ Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	20.4	$77.9	.06	$.2	.003	.003
B.	Other Claims 1/ (Please explain)	.4	$ 1.3	.4	$1.3	100	100
C.	Sustained Audit Findings	--	--	--	--	--	--
	Totals	20.8	$79.2	.10	$1.5	.005	.019

1/ Assignments or foreclosures in process.

2/ 90 days or more delinquent.

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Management and Liquidation		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of 2/ Accounts Delinquent (in 100's)	Approximate 2/ Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	308.7	$162.5	.5	$ .3	.002	.002
B.	Other Claims 1/ (Please explain)	1.1	1.3	1.1	1.3	100	100
C.	Sustained Audit Findings	-	-	-	-	-	-
	Totals	309.8	$163.8	1.6	$1.6	.005	.005

1/ Assignments or foreclosures in process

2/ 90 days or more delinquent

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Mortgage-Backed Securities		Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of 2/ Accounts Delinquent (in 100's)	Approximate 2/ Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	.1	$5.1	.1 1/	$2.7	100% 1/	53%
B.	Other Claims (Please explain)	-	-	-	-	-	-
C.	Sustained Audit Findings	-	-	-	-	-	-
	Totals	.1	$5.1	.1 1/	$2.7	100% 1/	53%

1/ Entire amount is not delinquent. A study is underway to determine if certain expenses formerly classified under receivables should have been charged directly to operating expenses of program.

2/ 90 days or more delinquent.

(Doesn't Apply to GNMA - No Field Offices)

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
_____										
_____										
A. Dollar Balance Outstanding										
B. Number of Accounts										

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office: 1 _____ 2 _____ 3 _____

D. Balance Outstanding: (in thousands) _____ _____ _____

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office: 1 _____ 2 _____ 3 _____

F. Number of Accounts: _____ _____ _____

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: _____

NEW COMMUNITY DEVELOPMENT CORPORATION

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Part I
New Communities
Narrative
86-4237-0-3-451

1. Program Description

Title VII of the HUD Act of 1970, authorizes a program of Federal assistance in financing land acquisition and development costs necessary to carry out long term, balanced new community development. To be eligible for initial and continuing assistance, projects must carry out a comprehensive plan which provides for integrated, time-phased development of a broad range of housing, including substantial provisions for housing for persons of low- and moderate-income; commercial/industrial land uses; and transportation, open space, recreation, schools and other community facilities and services. The plan, and its implementation, must also meet other social, economic, environmental and affirmative action requirements. To achieve these purposes, Title VII authorizes loan guarantees, direct loans, grants and other Federal assistance to public and private developers and to governmental entities which provide facilities and services necessary to carry out the plan.

For the purpose of facilitating the financing of activities carried out pursuant to Title VII, the Act authorizes the establishment of a revolving fund, the New Communities Fund which is funded by borrowings from the Treasury, proceeds from the sale or other disposition of assets acquired under the Act and miscellaneous fees, charges, interest income and other receipts. The Fund is used to finance the following Program expenses: (1) payment of interest on borrowings from the Treasury, (2) interest payments on debentures guaranteed under Title VII where the developer is unable to make such payments and (3) payments for operations of projects which, following default, are under management by HUD or court-appointed receivers pending disposition of project assets. In addition, the Fund is used for (1) contract support and services, and (2) administrative expenses. A moritorium was placed on the acceptance of any new applications for the program in January 1975.

2. Description of Delinquent Debt Generated Under Program

Substantially more than 99% of NCDC's delinquent debt falls into three major categories. These are (1) debt owed to HUD by new community developers for interest paid on their behalf to holders of bonds or debentures guaranteed by HUD, (2) debt owed to HUD by new community developers for monies advanced to pay the principal of bonds or debentures for two new communities whose assets we have not as yet acquired and, (3) annual fees owed HUD by various new community developers. Payment of these fees was provided for at the time the new communities were approved, and these revenues would be credited to the NCDC Revolving Fund if received.

NCDC's remaining delinquent debt amounts to only $82,000 and is related to sale of assets in connection with new towns which have failed financially and for which the Board of Directors voted acquisition.

Part II shows the geographic location of each new community owing monies to HUD. The debtors are generally the new community developers who are, with one exception, for profit private entities.

Delinquent debts in the first three categories mentioned above are generally not collectable. In most cases they relate to new communities which have failed financially and have been acquired by HUD. The developers are without significant resources and NCDC's efforts have been directed to disposing of these projects while protecting the Federal interest, to assisting those State and local public entities which may have been adversely affected by reliance upon development of the new town as planned, and to maximizing the return to the Federal Treasury from the sale of remaining assets.

In the case of ongoing new communities on a case by case basis and where circumstances warrant, it has been the policy of NCDC's Board of Directors to pay debenture interest where the developers are unable presently to do so. The alternative to HUD making these payments is foreclosure on what may well be a financially successful new community at some future point in time, and with the possibility existing of repaying these amounts. Foreclosure would, of course, necessitate payment of the outstanding debentures plus the expenditure of large sums to ultimately terminate the Federal involvement. Essentially the same situation prevails in the case of annual fees as for the payment of interest on the debentures.

Because of the situation described, it is not possible to set forth a detailed plan for recovery of these delinquent debts. For the ongoing new communities they can only possibly be collected in two circumstances: (1) if the new community developer can generate sufficient positive cash flow from land sales some time in the future, (2) if circumstances should force HUD to foreclose on one or more of these projects efforts would be made to recover funds due and owing from the sale of the project's remaining assets.

In the case of the $82,000 in delinquent miscellaneous debts, efforts have already been undertaken, to secure their payment. A letter has been sent to Westin Manufacturing Company demanding payment of our claims. The cases of Vassar and Seifert are contracts for deeds. NCDC has offered to sell its interest in the Vassar contract and is awaiting a response. Should it not be sold, arrangements have already been made with OFA to service the contract. Seifert involves fairly complex legal matters and OGC has already taken steps to attempt to collect on it.

PART II - STATISTICS
PAGE 1

MONIES OWED HUD

as of
March 31, 1981

Category of Debt:	Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A. Debt to HUD for payment of interest on debentures						
1. St. Charles, MD	.01	6.194	.01	4.341		
2. Harbison, SC	.01	5.203	.01	5.197		
3. Maumelle, AR	.01	5.277	.01	2.996		
4. Shenandoah, GA	.01	9.430	.01	9.430		
5. Soul City, NC	.01	1.540	.01	1.540		
TOTAL	.05	27.644	.05	23.504	100%	85%
B. Debt to HUD for payment of principal on debentures						
1. Shenandoah, GA	.01	25.000	.01	25.000		
2. Soul City, NC	.01	10.000	.01	10.000		
TOTAL	.02	35.000	.02	35.000	100%	100%
C. HUD Annual Fees						
1. St. Charles, MD	.01	1.004	.01	.896		
2. Harbison, SC	.01	.334	.01	.325		
3. Maumelle, AR	.01	.438	.01	.285		
4. Woodlands, TX	.01	.628	-	-		
5. Shenandoah, GA	.01	.798	.01	.725		
6. Soul City, NC	.01	.269	.01	.269		
TOTAL	.06	3.471	.05	2.500	83%	72%
D. Debt in connection with sale of assets						
1. Gananda, NY	.01	1.000				
2. FMNT, TX	.01	3.000				
3. Gananda, NY	.01	1.352				
TOTAL	.03	5.352				

PART II - STATISTICS (Continued)
PAGE 2

Category of Debt:	Number of Accounts (in 100's)	Approximate Dollar Balance Outstanding (in millions)	Number of Accounts Delinquent (in 100's)	Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
E. Miscellaneous						
1. Jonathan, MN						
Contract/Deed Vassar	.01	.021	-	-		
Seifert	.01	.069	.01	.069		
2. Escrow Carver Bank	.01	.013	-	-		
3. Westin Manufacturing	.01	.013	.01	.013		
TOTAL	.04	.116	.02	.082	50%	71%
GRAND TOTAL	.20	71.583	.14	61.086	70%	85%

Part III
Responsible Officials and Resources Needed

Responsible Officials

David C. Nimmer, Budget Officer, NCDC, has been designated Claims Collection Officer for the Corporation. He can be reached on extension 56808. He should be contacted regarding any questions related to NCDC's debt collection activities.

We believe that NCDC possesses adequate staff and other resources to continue new community disposition activities at an optimun level, considering the vast complexities involved. This in turn assures that the financial interests of the Secretary and of the Federal government will continue to be protected, and that any debts due and collectable will, in fact, be collected. The Corporation does not, therefore, require any resource augmentation to aid in debt collection.

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ADMINISTRATION

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Part I

Travel Advances

Salaries and Expenses - Account Number 86-0143

1. Program Description

Travel advances are made to employees of the Department out of funds appropriated for salaries and expenses so that employees do not have to use their personal funds for official travel.

2. Description of Delinquent Debt Generated Under Program

A delinquent travel advance is defined as one that has not been repaid within two months from the date of issuance. The debtors are employees or former employees of the Department. The regions having the highest number and amount of delinquent travel advances are as follows:

Region	Number of Delinquent Accounts	Amount of Delinquent Accounts
Region 5, Chicago	248	$27,000
Central Office	229	$77,000
Region 9, San Francisco	163	$56,100

3. Collection Procedures Analysis

Once a travel advance becomes delinquent the collection procedure starts by advising the employee through the Administrative Officer or Travel Allowance Holder that a payroll deduction will be made if the Travel Advance is not repaid within ten workdays by either filing a travel voucher or repaying the advance by check. If a response is not received, a memorandum is sent to the Payroll Branch requesting deduction from the employees net salary check. The procedure for making payroll deduction to collect outstanding advances was implemented during fiscal year 1980. Separated employees are sent a letter requesting repayment and are advised that interest will be accrued as of a certain date. If repayment is not received, the case is turned over to the Claims Collection Officer for appropriate action. The Department currently has a procedure which minimizes the possibility of an employee separating from the Service without paying outstanding travel advances. Before issuance of the final salary check for separated employees the Payroll Branch must have a form signed by the accounting office stating that there are no outstanding travel advances due from the employee.

4. Major Problems or Issues in Collection of Debt

There are no major issues concerning current policies and procedures established for the collection of outstanding travel advances. The main problem with the collection of Travel Advances is that it is time consuming. Before any action is taken, most travel accounts have to be analyzed and a worksheet prepared listing all advances received and all applications made on a trip basis regardless of the amount due. Delinquent travel advances have been reduced substantially within the past year as a result of the new procedure and is no longer considered a collection problem. Accordingly, we do not plan to expend additional effort beyond what is currently being done.

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt:	Number of Accounts *	Approximate Dollar Balance Outstanding *	Number of Accounts Delinquent *	Approximate Dollar Balance Delinquent *	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
Travel Advances						
A. Debt to HUD	3,476	$998,812	759	$220,485	21%	22%
B. Other Claims (Please explain)	-	-	-	-	-	-
C. Sustained Audit Findings	-	-	-	-	-	-
Totals	3,476	998,812	759	$220,485	21%	22%

*Actual totals - not rounded

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt:	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X	Central Office
Travel Advances											
A. Dollar Balance Outstanding	$29,682	$37,769	$50,662	$137,385	$92,000	$114,223	$45,013	$47,158	$188,004	$39,658	$217,258
B. Number of Accounts	76	160	238	507	622	336	140	171	451	99	676

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

	1	2	3
C. Field Office:	1 Central Office	2 Region 9	3 Region 6
D. Balance Outstanding: (in thousands)	$217	$188	$114

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

	1	2	3
E. Field Office:	1 Region 5	2 Central Office	3 Region 9
F. Number of Accounts:	248	229	163

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: HUD Employee

Part III

Responsible Officials and Resources Needed

Responsible Officials

Headquarters : Mr. Gerald Pierce, Chief, Administrative Accounting Branch
Regional Offices: Regional Accounting Directors

Questions should be directed to Mr. Gerald Pierce on 724-0585

Resources Needed

One staff year is required to monitor and follow-up on outstanding travel advances.

Part I

Intergovernmental Personnel Act (IPA) Billings

Salaries and Expenses - Account Number 86-0143

1. Program Description

Intergovernmental Personnel Act (IPA) mobility assignments are the assignment under contract of HUD employees to work with local governments and agencies for a specific period of time. Reimbursement to HUD for the employee's services are based on the terms of the contract with the local government or agency which include colleges and universities.

2. Description of the Debt

A billing for reimbursement under an IPA becomes delinquent at the end of the first month following the quarter in which the local government or agency was billed. The debt is for reimbursement of employee's services based on the terms of the contract. There is no particular region or area with any significant higher balance or number of debts owed.

3. Collection Procedures Analysis

The normal collection procedure for delinquent IPA debts is to send an initial billing and two follow-up requests for payment to the local government or agency. If no response is received then two additional letters signed by the Claims Collection Officer are prepared. The final letter from the Claims Collection Officer states that if payment is not received by a specified date the IPA contract will be terminated. If the final Claims Collection Letter does not prompt the organization to pay the debt, a memorandum is sent to the IPA employee's Personnel Officer advising him to terminate the contract due to nonpayment.

4. Major Problems or Issues in Collection of Debt

Our only recourse in the case of nonpayment is cancellation of the contract. Our solution to the problem is to continue collection efforts until the second month of the delinquency and then cancel the agreement. The problem was identified about a year ago and a procedure was developed and implemented to insure collection of IPA billings and to minimize the instances wherein debts are or could be permitted to go undetected. A copy of the procedure is attached.

IPA BILLING PROCEDURE

1. Upon receipt of an IPA contract, a file is established for the employee and a billing prepared through the current quarter.

2. At the beginning of each calendar quarter, billings are prepared for all IPA's for the ensuing quarter (billings are sent in advance of the work performed).

3. At the beginning of each month, review all IPA files and if an outstanding bill remains for the quarter (quarter may be calendar quarter or in those cases where IPA contract was received late, it may be any consecutive three month period):

   a. Make a copy of the delinquent billing, mark it "2d Request" and mail it to the jurisdiction involved. Annotate the file copy and make an extra copy for the Director, Personnel Systems and Payroll Division and for OFA.

   b. If the review shows that a second billing has been processed and the money has not been received, a third request will be prepared and mailed with a copy to Director, Personnel Systems and Payroll Division and to OFA.

   c. If the review shows that a third request has been processed, a letter will be prepared for the signature of the Department's Claims Collection Officer. When a dispute occurs over the amount billed, the claims collection process will not be instituted until the dispute is resolved. A copy of this letter will be sent to the employee on the IPA assignment his/her Personnel Officer, Regional Administrator or Assistant Secretary (or equivalent), and Deputy Under Secretary for Intergovernmental Affairs. A new quarter will commence in this time frame; therefore, the first billing for this new quarter must be prepared and forwarded for payment.

   d. If the review shows that the payment has not been received within 30 days of the Claims Collection Letter, a final Claims Collection Letter will be prepared and forwarded stating that if the payment is not received by a specified date, the IPA contract will be terminated. Copies of this letter will also be sent to the IPA employee; his/her Personnel Officer; his/her HUD supervisor; Employment Planning and Standards Division, Regional Administrator or

Assistant Secretary (or equivalent), and Deputy Under Secretary for Intergovernmental Affairs. The second billing for new quarter will be prepared and forwarded if payment for this new quarter has not been made.

e. If the final Claims Collection Letter does cause the organization to pay up, any other amounts due on the contract will follow the normal collection process.

f. If the final Claims Collection Letter does not prompt the organization to pay the debt for the delinquent period, a memorandum will be sent to the IPA employee's Personnel Officer advising him to terminate the contract due to non-payment. The amount of the delinquent debt plus any additional amount incurred through the contract termination date will be turned over to OFA for disposition.

4. As payments are received, they will be recorded and the billing appropriately annotated.

5. At the beginning of each new quarter, prepare billings for the ensuing quarter and review contracts for expiration dates. If the case being reviewed has been a collection problem case and termination is pending, proceed with billing for unpaid period.

6. A monthly report on the status of IPA billings will be provided to the Director, Personnel Systems and Payroll Division.

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Intergovernmental Personnel Act (IPA) Billings		* Number of Accounts	* Approximate Dollar Balance Outstanding	* Number of Accounts Delinquent	* Approximate Dollar Balance Delinquent	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	58	$375,946	30	$168,519	52%	45%
B.	Other Claims (Please explain)	-	-	-	-	-	-
C.	Sustained Audit Findings	-	-	-	-	-	-
	Totals	58	$375,946	30	$168,519	52%	45%

*Actual totals

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

Category of Debt: Intergovernmental Personnel Act (IPA) Billings	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X
A. Dollar Balance Outstanding	All Headquarters									
B. Number of Accounts										

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office: 1 _____ 2 _____ 3 _____

D. Balance Outstanding: (in thousands) _____ _____ _____

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office: 1 _____ 2 _____ 3 _____

F. Number of Accounts: _____ _____ _____

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor: _____

Part III

Responsible Officials and Resources Needed

Responsible Official

Mr. William R. LaPointe is Chief of the Payroll Section and it is his staff which is directly involved in the steps required to collect the debts.

Questions should be directed to Mr. LaPointe on 755-6116.

Resources Required

The debt collection effort for IPAs requires approximately one staff year. One staff year is required to maintain the IPA accounts and to ensure that bills are prepared and follow-up is taken as necessary.

Part I

Overpayment of Salaries and Advances for Leave

Salaries and Expenses - 86-0143

1. Program Description

The Department pays its employees from funds appropriated for salaries and expense. From time to time overpayments will occur due to administrative errors. In other cases employees are advanced leave, either annual or sick leave. If the employee separates from the Department there may be an amount owed because there can still be an outstanding balance of advanced leave.

2. Description of Delinquent Debt Generated Under Program

A debt due to salary overpayments or unpaid advances of sick and annual leave is considered delinquent 30 days from the initial billing. The debtors are current or previous HUD employees.

3. Collection Procedures Analysis

Normally when an overpayment is made the amount of the overpayment once discovered is deducted from the employees next check. In cases where the employee is separated from the Department, a billing is sent to the employee requesting payment. For those employees separating due to retirement amounts owed are collected from the lump sum payment due the employee. If this is not sufficient a levy is established with OPM against the retirement funds due the employee. Prior to an employee leaving the Department and issuance of the final salary check, the employee's leave records are audited to ensure any amounts due for advanced leave are collected.

4. Major Problems or Issues in Collection of Debt

No response to billings of former employees. The solution is to recover the debt from the employees' final pay or levy against their retirement contributions. Procedures are now in effect to accomplish this.

PART II - STATISTICS
PAGE 1.

MONIES OWED H.U.D.

as of
March 31, 1981

Category of Debt: Overpayments, Advanced Leave		* Number of Accounts (in 100's)	* Approximate Dollar Balance Outstanding (in millions)	* Number of Accounts Delinquent (in 100's)	* Approximate Dollar Balance Delinquent (in millions)	Percent of Accounts Delinquent	Percent of Dollar Balance Delinquent
A.	Debt to HUD	560	136,345	560	136,345	100%	100%
B.	Other Claims (Please explain)	-	-	-	-	-	-
C.	Sustained Audit Findings	-	-	-	-	-	-
	Totals	560	136,345	560	136,345	100%	100%

* Actual Totals Not Rounded

PART II - STATISTICS
PAGE 2.

GEOGRAPHY OF HUD's DEBT

as of
March 31, 1981

In Millions

Category of Debt: Overpayments, Advanced Leave	REGION I	REGION II	REGION III	REGION IV	REGION V	REGION VI	REGION VII	REGION VIII	REGION IX	REGION X	CENTRAL OFFICE
		All Headquarters									
A. Dollar Balance Outstanding	6.1	6.1	2.7	1.7	4.2	4.4	1.1	0.9	1.6	2.4	1.5

B. Number of Accounts

Nationally, for this category of debt, the three Field Offices with the Largest Outstanding Balances are:

C. Field Office: 1 _____ 2 _____ 3 _____

D. Balance Outstanding: (In thousands) _____ _____ _____

Nationally, for this category of debt, the three Field Offices with the Largest Number of Delinquent Accounts are:

E. Field Office: 1 _____ 2 _____ 3 _____

F. Number of Accounts: _____ _____ _____

Debtors may be classified as Consumer, Business, or Public/Non-profit.
The type of debtor which best represents the majority of the debt due in this debt category is:

G. Type of Debtor:

Part III

Responsible Officials and Resources Needed

Responsible Official

Mr. William LaPointe, Chief of the Payroll Section.

Mr. LaPointe can be reached on 755-6116.

Resources Required

One staff year is required to monitor and collect salary overpayment and advances for sick and annual leave.

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